

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2001, the Group has net current assets of US\$420,000 as compared to net current liabilities of US\$55,394,000 as at 31 December 2000.

As at 30 June 2001, the net cash balances of the Group stood at US\$4,047,000.

The total bank and other borrowings decreased by US\$19,255,000 to US\$23,764,000 as a result of the completion of the restructuring proposal. Interest rates of the bank loans ranged from 4.9% to 8.7% per annum. The bank loans are mainly denominated in Reminbi and US dollars. The sales and purchases of the Group are also denominated in Reminbi and US dollars. As the exchange rates of Reminbi and US dollars against Hong Kong dollars were relatively stable during the period, the Group's exposure to fluctuations in exchange rates is minimal.

The gearing ratio of the Group was 7.6% (gearing ratio is calculated based on the ratio between long term debt and the sum of equity and long term debt). There is a significant decrease in issued share capital subsequent to a capital reduction pursuant to a special reduction passed in a special general meeting held on 23 March 2001. As at period end, the total shareholders' equity of the Group was US\$35,626,000.