

## PROSPECTS

Despite the impact of the global economic downturn among all industries, the Group remains optimistic about its business prospects in the second half of the year and its future developments.

Looking ahead into the second half of the year, the Group will continue to commit itself to efficiency enhancement, and intends to relocate a significant portion of its manufacturing facilities to adjacent cities in China to reduce operating cost and enhance its competitiveness, aiming at better results in return. In spite of an increasing competitive market in sight, the Group is confident that as long as it continues to supply high quality products of reasonable price, satisfactory results and an increase in profits is attainable. The Group will continue to commit its resources to the development of its existing business.

The attack of the World Trade Centre in US has added uncertainties to the global economy, and the economic recovery of North America, Europe and East Asia will inevitably be deterred. Nonetheless, following China's admission to the World Trade Organisation, significant impacts on the world's economy is expected, and the Group believes that there will be vast opportunities of long term developments for the Group following China's entry to the WTO.

The Group takes the view that following China's admission to the World Trade Organisation, large-scale foreign enterprises will make significant investment in China and professionals with profound expertise will directly explore the China market. Furthermore, small to medium scale foreign enterprises will also actively invest in China businesses, and a business partner with extensive experience in China trade, who has a good reputation and a strong balance sheet, will be vital for these entrepreneurs to explore businesses opportunities in China.

With its established experience in both industrial and commercial sectors in China and a sound risk management system, the focus of the Group's future development strategies will be acting as a PRC agent for small and medium scale foreign enterprises and specialising in distribution businesses. At the same time, the Group will continue to seek for potential foreign factories for joint investments in manufacturing facilities in China.

In line with its new business developments and objectives, the Group believes that it is vital for it to capture suitable opportunities in order to bring the best returns to its shareholders.

## **Liquidity and Financial Resources**

The Group generally derives cash for operation from internal cash flow and banking facilities from Hong Kong banks. As far as financial position is concerned, the Group has always adopted a cautious policy. As at 30th September 2001, there were no long term debts or bank loans and the Group has sufficient funds for future business expansions.

## **Employees**

As at 30th September 2001, the Group employed around 350 employees in both Hong Kong and the Mainland. The Group continues to provide remuneration package, including share options to its employees based on prevailing market conditions.