

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 September, 2001, the Group's sales turnover decreased by 22% to HK\$400,241,000 (2000: HK\$513,870,000) and the Group's profit after taxation decreased by 31% to HK\$33,001,000 (2000: HK\$48,111,000). Basic earnings per share decreased by 35% to 9.84 cents (2000: 15.05 cents).

During the six months under review, sales turnover dropped by HK\$113,629,000 as compared with the same period in the previous year. Sales turnover across all sectors and markets declined. Sales turnover to America and Europe suffered drastically with a decline of 27% and 22% respectively. Business environment has been difficult since the beginning of 2001. Our business has been adversely affected by the global economic slowdown leading to weak market demand, pressure on selling price reduction, and customers' tendency to reduce inventory and defer orders. All of these unfavorable factors were further aggravated by the tragic event of 11 September, 2001 in the US.

Despite these difficult situations, the Group is able to remain profitable. The decrease in profit after taxation was mainly attributed to the decrease in sales turnover due to volume and price reduction. In fact, we managed to maintain gross profit margin as a percentage to sales at 25% due to our continuous efforts in cost reduction in both material and manufacturing costs.

The Group maintains a strong balance sheet with a healthy liquidity position and a very low debt-to-equity ratio. With our existing cash reserve and available banking facilities, we have sufficient liquidity to meet the current commitments and working capital requirements.

The global economic outlook will no doubt have an impact on the Group's business performance. The Group, however, is confident to meet the changes and challenges ahead. A number of cost reduction programs are already in place to further improve our cost structure, efficiency and competitiveness. With our solid experience, determination and strong financial resources, we are certain that we would be able to ride through this unprecedented economic downturn and difficult business environment.