

OUTLOOK

The Group's manufacturing business will continue to control costs and improve its efficiency, source for new and lower cost materials, and research and development into new products. This business unit will concentrate on gaining our global valuable customers' confidence through our commitment towards quality products and services.

Despite the slow pace hindered by SARS in the development of our logistics business during the first half of the year, the third party logistics business is expected to develop steadily, especially in the PRC market. The Group, through its interests in the joint venture with Crown eForce, is looking for third party to cooperate with the development and operation of comprehensive logistics centres with supervised warehouse facilities in the region of Pearl River Delta PRC. This business unit is also making inroads to develop its third party logistics service facilities in the Shanghai region.

The Group's long-term focus remains unchanged and on track, that is: delivering quality products to our customers; offering greater flexibility to better serve our customers; and focusing on facilitating the development of our third party logistics projects through careful planning. The management will constantly review the corporate development strategies so as to plan out potential projects in the third party logistics business, thus further enhancing the shareholders' value.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2003, the Group has a net current liability of HK\$54,163,000 (31 December 2002: HK\$43,251,000) and a current ratio of 0.35 (31 December 2002: 0.45). Cash and bank balances at 30 June 2003 were HK\$2,118,000 (31 December 2002: HK\$5,371,000). The gearing ratio, as a ratio of net borrowings to shareholders' equity was 44% (31 December 2002: 58%).

Borrowings at 30 June 2003 were all due within one year amounted to HK\$30,359,000 (31 December 2002: HK\$30,035,000). Secured borrowings amounted to HK\$9,057,000 (31 December 2002: HK\$9,057,000) were secured by a legal charge on certain leasehold land and buildings of the Group situated in the PRC with carrying value of approximately HK\$17.7 million (31 December 2002: HK\$18 million). No other assets of the Group were pledged to secure borrowings outstanding at 30 June 2003.

The total facilities available to the Group from its financial institutions amounted to HK\$70 million (31 December 2002: HK\$50 million). The management believes the Group has adequate financial resources for its business requirement.