

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the following business activities: the production and sale of electric cable and wire products, namely AC power supply cords and wire harnesses, which are widely used as integral components of most electric and electronic products.

FINANCIAL REVIEW

Results

For the first half year ended 30 June 2001, the Group attained a turnover of HK\$95,217,000 and a net loss of HK\$8,567,000, representing a decrease of 21% and 220% respectively as compared to the same period in the last financial year.

The financial results for the first half-year can be attributed mainly to the extremely difficult and highly competitive prevailing business environment which has created an overall adverse impact on turnover and profit. Competition intensified relentlessly, forcing a downward movement of product prices across the industry.

Liquidity and Financial Resources

As at 30 June 2001, the Group's total amount of bank deposits and cash was HK\$5,792,000. The consolidated indebtedness of the Group, including short-term debts of HK\$37,632,000, was HK\$50,547,000. All of the borrowings are denominated in Hong Kong dollars and bear interest at floating rates.

The amount of the Group's working capital was HK\$7,806,000 (31 December 2000: HK\$15,679,000). The current ratio was 1.11. The Group's consolidated trade receivables were HK\$43,301,000 representing 45% of the turnover of HK\$95,217,000. The percentage of doubtful debt was 0.1% of trade receivables.

The consolidated shareholders' equity of the Group was HK\$120,233,000, a decrease of 7.4% over that of the last period. The gearing ratio, calculated by dividing total liabilities to shareholders' equity, was 70%.

Pledge of Assets

As at 30 June 2001, the Group's banking facilities amounting to approximately HK\$77,000,000 (31 December 2000: HK\$74,000,000) were secured by legal charges

over certain land and buildings of the Group with a total net book value of HK\$38,200,000 (31 December 2000: HK\$41,120,000) and corporate guarantees given by the Company.

BUSINESS REVIEW

During the period under review, sales of AC power supply cords registered a slight drop in the first half-year. The analysis of sales mix by category of products is as follows:

	2001	2000
AC power supply cords	66%	72%
Wire harnesses	22%	15%
Cable wires	11%	13%
Others	1%	0%

During the first half-year, we have successfully broadened our customer base in overseas markets, and have secured confirmed orders from illustrious international customers in Japan and the United States.

The United States market showed a slight growth. Notably, customers in Japan and in the United States have indicated their intention to purchase our products directly from the Group in order to cut down their marginal costs.

We have also secured orders from increasing number of Australian customers, mainly for AC power supply cords and wire harnesses. There is also a significant increase in direct export orders. During the period under review, more demand for environmental-friendly new products like lead-free power cords were reported especially with customers in Japan and Europe.

Prospects

We are optimistic about the Group's performance in the second half year. Since our core products are conventional products widely used as integral components of most electrical and electronic products, we expect the Group to maintain our level of business under varied economic conditions. We see great potential in our lead-free power cord product, which has been well received by the market since its launch. Some customers have requested to switch their orders to this new product, which contributes a better profit margin.

While we seek to boost sales, we will at the same time continue to exercise cost-control. In the operations area, we will continue to optimise the use of internet technology to upgrade customer services, enhance management efficiency and simplify the production process. Having successfully implemented a semi-automation manufacturing process in the factory coupled with on-going in-house training for our workers to boost productivity, we expect production efficiency to improve further.

In the area of business development, we will continue to prudently develop the existing Hong Kong market, while concurrently making every effort to expand our overseas customer base. We aim to establish a new customer base in Mainland China with well-known Sino-foreign joint-venture companies or established foreign companies, and expect to tap the potential of this market.

Finally, the prevailing lower interest rate will be a boon to our business operations. Our synchronized efforts to enhance business and control costs are expected to put us on a strong footing in the second half-year.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2001 was approximately 1,284. Employees are remunerated according to the nature of the job and market conditions.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2001, the interests of the Directors and chief executive in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI" Ordinance), as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

(a) Ordinary shares

Name	Number of ordinary shares beneficially held			
	Corporate interest	Personal interest	Family interest	Other interest
MON Chung Hung	140,760,000	3,000,000	–	–
SIU Yuk Shing	–	300,000	–	–
LAU Chun Kay	–	138,000	–	–
LI Ho Cheong	–	318,000	–	–

The corporate interest of Mr MON Chung Hung is beneficially owned by Spector Holdings Limited, the entire issued share capital of which is owned as to 99.9% by Mr MON Chung Hung and as to the remaining 0.1% by Ms KOO Di An, Louise.

(b) Share options

Pursuant to a share option scheme approved at a special general meeting of the Company held on 5 December 1996, the Directors may, at their discretion, invite employees and directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. As at 30 June 2001, no options have been granted under this scheme.

Saved as aforesaid, at no time during the period was the Company, its holding company, its fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives and their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, according to the register required to be kept under Section 16(1) of the SDI Ordinance, those persons having an interest in shares representing 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the company were as follows:

Name of shareholder	Number of shares held
Spector Holdings Limited	140,760,000

The share capital of the above company is owned as to 99.9% by Mr MON Chung Hung and as to the remaining 0.1% by Ms KOO Di An, Louise.

Save as disclosed above, so far as the Directors are aware, there were no persons who, as at 30 June 2001, directly or indirectly held or were beneficially interested in shares representing 10% or more of the issued share capital of the Company or its subsidiaries.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim accounts for the six months ended 30 June 2001 with the Directors.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied with the Code of Best Practice throughout the period, except that Independent Non-Executive Directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-Laws of the Company, Independent Non-Executive Directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Directors, this meets the same objectives as the Code of Best Practice.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2001.

INTERIM REPORT

The 2001 interim report containing all the information required by the Listing Rule of the Stock Exchange of Hong Kong Limited will be published on the Exchange's website on 28 September 2001 and printed copies will be sent to shareholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our appreciation to all the staff of Group for all their efforts, and to wish them and the Group all the best for a prosperous future ahead.

By Order of the Board

MON Chung Hung

Chairman

Hong Kong, 24th September 2001