MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group reported a loss of HK$4.1 million for the six month period ended 30 June 2001 as compared to a profit of HK$15.1 million for the corresponding period in 2000. Turnover for the six month period ended 30 June 2001 was HK$261 million, representing a decrease of HK$78.6 million or 23.1%.

Economy of United States has been slowing down since the end of 2000 which has seriously affected the world economy and the demand for consumer products in particular, telecommunication and computer products. This put the Group into a very difficult business environment and was attributable to the unfavourable result of the period under review.

Telephone accessories, power cords and adaptor division

Turnover dropped by HK$62.9 million reflecting a weak electronic consumer market condition. The division has streamlined the operation by cutting down of workforce from 3,800 to 3,000 and reducing overhead cost to mitigate the loss substantially.

Printed circuit board division

Sales from the Dongguan factory dropped by HK$13.9 million. However, the factory has carried out a series of measures to improve operating efficiency which has successfully maintained the factory's profit in the same level as that of the corresponding period in 2000. Contribution of profit from the Shanghai factory was reduced due to drop of profit margin in sales order. Faced with high labour cost and competition of imported products from Asian countries, the Australian factory continued to report a loss.

Precision metal

Turnover rose by HK$3.3 million due to expansion of customer base on non-computer products. Management has commissioned a restructure programme to successfully streamline the non-operation staff of the production team and has implemented stringent cost control on operation since the second half of 2000. The division reported a profit HK$0.8 million for the period under review as compared to a loss of HK$5.4 million in the first six month period in 2000.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Freight forwarding and delivery services

Warehousing and freight forwarding industry suffered from the economic slump of Hong Kong major export markets, including United States, Europe and Australia. Under keen competition, the division has reduced its charges rate by approximately 30%. Despite the effort put to control administrative expenses, the division's loss for the period has increased by HK$0.4 million to HK$1.2 million.

Jointly controlled entities – copper wire

Several factories for the production of copper wire for computer cords have recently been set up in the Pearl River Region. Competition is keen since the demand for computer products has decreased. In order to maintain its leading position in the market as a long term strategy, the jointly controlled entity has cut down its selling price to compete for sales order. As a result, profit dropped substantially in the first six months of 2001. However, sales order has been picking up since June 2001 and profit of the jointly controlled entity is improving.

Prospects

The Group will re-organize its purchasing department and establish central operating department to enhance control on operation, cost and material consumption of each division. It is expected the performance of the Group will be improved in the second half of the year.

Liquidity and financial resources

At 30 June 2001, the Group's gearing ratio (total debt divided by equity) and current ratio (current assets divided by current liabilities) are 0.10 (2000: 0.12) and 2.68 (2000: 2.35) respectively, which have been improved as compared to those of last year.

Bank loans decreased by approximately HK$9 million to HK$56 million as at 30 June 2001. The Group's borrowings were mostly denominated in Hong Kong dollars.

After taking into account the existing cash resources and unutilised bank facilities, the directors are of the opinion that the Group can maintain an adequate liquidity position throughout 2001.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital structure

Certain share options were exercised and a total number of 4,350,000 ordinary shares of the Company were subscribed pursuant to the Company's share option scheme during the period under review. Save as aforesaid, there are no movements in the ordinary share capital of the Company during the period.

Contingent liabilities

The contingent liabilities of the Group, mainly from guarantees for banking facilities and finance lease contracts granted to a jointly controlled entity, decreased from HK$104.6 million as at 31 December 2000 to HK$83.4 million as at 30 June 2001.

Employees and remuneration policies

The Group had a total of approximately 4,400 employees as at 30 June 2001.

The remuneration policies of the Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that takes into account local practices in various geographical locations in which the Group and its associates operate and these remuneration packages include basic salary, allowances, retirement schemes, service bonus, fixed bonus, performance related payments and share options where appropriate.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2001 (2000: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited or otherwise) during the period under review.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2001, the interests of the Company's directors in the share capital of the Company as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Interests in the share capital of the Company

Name of director	Nature of interest	Number of ordinary shares held
Tse Chun Sing	Personal	1,000,000

Rights to acquire shares in the Company

Name of director	Options to subscribe for ordinary shares of the Company
Tse Chun Sing	2,800,000

Note : The above share options are exercisable at a subscription price of HK$0.418 per share during the period from 5 January 2000 to 31 December 2001. Mr. Tse had paid HK$1 to the Company as consideration for the options granted to him.

Save as disclosed above, none of the Company's directors or chief executives had any interests in, or rights to subscribe for, the equity or debt securities of the Company or any of its associated corporations as recorded in the register maintained in accordance with Section 29 of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following persons were, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company:

Name of shareholder	*Notes*	**Number of ordinary shares held**
Shougang Holding (Hong Kong) Limited ("Shougang HK")	*1*	371,649,069
Shougang Concord International Enterprises Company Limited ("Shougang International")	*1*	371,649,069
Shougang Concord Grand (Group) Limited ("Shougang Grand")	*1*	371,649,069
SCG Investment (B.V.I.) Limited ("SCGI")	*2*	371,649,069
Grand Phoenix Limited ("Grand Phoenix")	*3*	371,649,069
Upper Nice Assets Ltd. ("Upper Nice")	*3*	240,342,569
Jeckman Holdings Limited ("Jeckman")	*3*	131,306,500

Notes:

1. Shougang HK is the controlling shareholder of Shougang International. The interests held by Shougang International are included in the interests held by Shougang HK. Shougang Grand is a subsidiary of Shougang International. The interests held by Shougang Grand are included in the interests held by Shougang International. Shougang Grand was deemed to be interested in the shares held by SCGI by virtue of its 100% shareholding in SCGI.

2. SCGI is a wholly-owned subsidiary of Shougang Grand and its interests are included in the interests held by Shougang Grand. SCGI was deemed to be interested in the shares held by Grand Phoenix by virtue of its 100% shareholding in Grand Phoenix.

3. Grand Phoenix is a wholly-owned subsidiary of SCGI and its interests are included in the interests held by SCGI. Grand Phoenix was deemed to be interested in the shares held by Upper Nice and Jeckman by virtue of its 100% shareholding in Upper Nice and Jeckman.

AUDIT COMMITTEE

The Company has engaged the Auditors to assist the Audit Committee to review the 2001 interim results of the Company. A meeting of the Audit Committee was held with the Auditors and the management of the Company on 10 September 2001 for, amongst other things, reviewing the interim results of the Company for the period ended 30 June 2001.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of information which would reasonably indicate that the Company is not, or was not, for any part of the six months ended 30 June 2001, in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Company's articles of association.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By Order of the Board
Su Genqiang
Chairman

Hong Kong, 20 September 2001