BUSINESS REVIEW

For the six months ended 30 September 2001, the Group's turnover was HK$470.6 million, representing a drop of 16.1% over the same period last year, of which HK$282.5 million was from the sales of cable & wire products, HK$154.4 million from copper rod products and HK$33.7 million from connectors & terminals in the period. Sales for the period decreased, resulting in a loss of HK$25.2 million, which was the loss recorded in interim results for the first time since the Group's listing in 1996, and the Group had also faced the worst business environment ever since its entry into cable and wire products business. During the period, the global economy was sluggish. Thus, the shrinkage in demand for electronic and electrical products over last year continued into the end of the period under review. Meanwhile, the modest improvement in consumption was disrupted after the September terrorist attack took place in the U.S., which reduced the effectiveness of the measures undertaken by the Group's management in restructuring and strengthening its business over the past year.

During the period under review, prices of raw materials were relatively low while operating cost was well under control. However, there was no sign of the anticipated economic recovery. This once again dragged our counterparts in the Mainland China, particularly those in the region of the Pearl River Delta, into a state of acute competition for orders with cut-throat prices. The Group recorded loss despite its well-established foundation. It is believed that business of some players in this industry may not be sustainable.

It is pleased to note that the Group's operations in Shanghai, Singapore and Malaysia still recorded satisfactory gains and also growth in turnover, though all these operations were much smaller in scale as compared with those in Dongguan, which is our major manufacturing base. Therefore, this was of no complementary effect to the Group's results.

As for the other investments, the actual commissioning schedule for the mono-glycerides plants and equipment was postponed to the second half of the financial year due to delay in the completion of installation and commissioning of some machinery. Also, neither of the Group's associated companies had any significant effect on the Group's financial resources and results.

PROSPECTS

The Directors believes that growth in value of the general cable & wire products is presently lower than that in the past due to the fact that the trade barrier is not as harsh as before. The Group has, in fact, started to implement its aggressive plan to gradually increase the proportion of the relatively higher growth products. After the balance sheet date of the period under review, the Group managed to achieve a breakthrough when a joint-venture agreement was entered into between the Group and PTIC Houma Communications Cable Co., Ltd. in Shanxi Province. Pursuant to the agreement, the Group may use the brandname "HMC" which is well recognized and widely adopted among established telecommunication companies on the Mainland, to manufacture and distribute its cable & wire products for telecommunication networks. These products will certainly bring more profits to the Group than the traditional cable & wire products. Since both parties of the joint-venture will optimize each other's facilities and strengths, the Directors is confident that fruitful results will be realised soon.

For the traditional products, as this sector is generating low profit margin, the Group has already equipped itself by internal restructuring so as to cope with market changes. In the meantime, the Group's success in its satellite bases in Shanghai, Singapore and Malaysia has suggested that the area of low profit margin industries will be affected by the external factors of local downstream industries, such as the ups and downs of, the cost of logistics, and economic sentiment. Therefore, the Group will reallocate its internal resources to strengthen the investments in prosperous economies, in order to achieve the best returns for its investments.

The entry of the PRC into the World Trade Organization and the PRC hosting the 2008 Olympic Games have both indicated the economic strength of the PRC and its role of a world key player. The Group must capture opportunities to arise from the opening up of the PRC market as well as its expanding economy which is driven by domestic demand. For this purpose, the Group carried out two investment projects subsequent to the balance sheet date, with one in Changzhou of Jiangsu Province, engaging in broadband network construction and manufacturing and distribution businesses of network parts and components. The other one is in Shanghai and is engaged in the operation of computer sales and maintenance services. The two businesses are mainly operated by companies having good relationship in the PRC. It is expected that both businesses will generate promising gains to the Group.

HUMAN RESOURCES

As at 30 September 2001, including the directors, the Group employed about 4,000 full-time employees in Hong Kong, the PRC and overseas. The Group provides in-house training programmes to the staff and subsidizes some of them in taking external courses for the purposes of strengthening the management and technical capability of the staff.

LIQUIDITY AND CAPITAL RESOURCES

During the period, the Group has implemented conservative financial management policy. As at 30 September 2001, the Group had cash on hand of approximately HK$224 million and net current assets being over HK$259 million. Short and long term loans of approximately HK$284 million compared with net assets of approximately HK$823 million representing a gearing ratio of 0.35. The Directors believe that the Group is in a healthy financial position.

EXCHANGE FLUCTUATION

The transactions of the Group are mostly denominated in HK$, US$ and RMB. As the exchange rates of these currencies have been relatively stable, the Group is therefore not exposed to any significant exchange risk.