

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the manufacturing and trading of electric cable and wire products.

An analysis of the Group's performance for the year by business segment is set out in note 2 to the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years is set out below:

	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	266,653	219,393	212,785	241,130	205,510
(Loss)/profit attributable to shareholders	31,726	16,950	23,269	4,710	(10,690)
Total assets	204,851	178,895	194,343	219,056	186,081
Total liabilities	(61,023)	(33,478)	(65,164)	(89,146)	(72,471)
Shareholders' funds	143,828	145,417	129,179	129,910	113,610

The comparative figures for the years 1997 to 2000 have been adjusted as a result of the adoption of Statement of Standard Accounting Practice No.2.109 (revised) "Events after the balance sheet date" issued by the Hong Kong Society of Accountants. Details of the accounting policy are set out in note 1(q) to the accounts.

ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the Chairman's Statement on pages 8 to 10.

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MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales attributable to the Group's major suppliers and customers are as follows:

	2001 %	2000 %
Purchases		
– the largest supplier	15	13
– five largest suppliers combined	48	42
Sales		
– the largest customer	19	15
– five largest customers combined	32	27

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 22.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in the note 18 to the accounts.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

DISTRIBUTABLE RESERVES

At 31st December 2001, the distributable reserves of the Company amounted to HK\$94,785,000 (2000: HK\$97,314,000).

DONATIONS

Charitable donations made by the Group during the year amounted to HK\$552,000.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 11 to the accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such right under the laws in Bermuda.

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

The company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

ANALYSIS OF BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans, overdrafts and other borrowings as at 31st December 2001 are repayable over the following periods:

	Bank overdrafts	Bank loans	Other Borrowings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
On demand or not exceeding one year	8,725	4,116	15,671	28,512
More than one year but not exceeding two years	–	1,907	354	2,261
More than two years but not exceeding five years	–	3,735	83	3,818
More than five years	–	4,408	–	4,408
	8,725	14,166	16,108	38,999

The Group did not have any other bank loans as at 31st December 2001, except for trust receipt loans which were included in other borrowings as stated above.

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DIRECTORS

The Directors during the year were:

Executive Directors

MON Chung Hung (*Chairman*)

KOO Di An, Louise (*Deputy Chairman*)

SIU Yuk Shing, Marco

LI Ho Cheong

LI Man Wai (*appointed on 3rd September 2001*)

Independent Non-Executive Directors

LAM Hon Mo, Frederick

LAU Chun Kay

LI Ho Cheong retires in accordance with clause 111(A) of the Company's Bye-laws and, being eligible, offer himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out as follows:-

Executive Directors

Mr Mon Chung Hung, aged 52, is the Chairman of the Company. He is the founder of the Group and has over 24 years of experience in the electric cable and wire industry. He is responsible for the Group's overall strategic planning and policy making.

Ms Koo Di An, Louise, aged 50, is the Deputy Chairman and the Administration Director of the Company. She joined the Group in 1979 and is responsible for the overall administration of the Group. She is the wife of Mr Mon.

Mr Siu Yuk Shing, Marco, aged 43, is the Sales Director and is responsible for sales of the Group's products and product development. He joined the Group in 1986 and has over 14 years of experience in the electric cable and wire industry.

Mr Li Ho Cheong, aged 50, is the Marketing Director of the Company and is responsible for marketing of the Group's products and developing overseas clients and also developing new cables for the computer sector. He joined the Group in 1997 and has over 22 years of experience in the cable and wire industry.

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Ms Li Man Wai, aged 47, is a Fellow of the Association of Chartered Certified Accountants of the United Kingdom and a Fellow of the Hong Kong Society of Accountants. She has more than 27 years of experience as a senior executive in finance and accounting primarily for manufacturing and trading companies. She also is experienced in office and factory management and for 10 years specialized in production and material control, and sales and marketing in China. She joined the Group in 2001 mainly responsible for finance and administration.

Independent Non-Executive Directors

Mr Lam Hon Mo Frederick, aged 54, has been a practising solicitor in Hong Kong for over 24 years. He is a senior partner of Liu, Chan and Lam, a firm of solicitors in Hong Kong.

Mr Lau Chun Kay, MIEE, MHKIE, aged 52, is the managing director of Delta Electrical & Engineering Services Ltd.. He holds a master degree in business administration and a bachelor degree in electrical engineering from the University of Hong Kong and is a registered professional engineer. Mr Lau is also the chairman of Hong Kong Electrical Contractors' Association Limited. He has over 30 years of experience in management and engineering.

Senior management

Ms Wong Wai Ping, aged 50, is the Group's General Manager – Sales and Marketing and is responsible for the Group's overall management and operation. She has over 27 years of experience in the electric cable and wire industry and electronics and communications industry. She joined the Group in 1993.

Mr Tang Chi Wai, CPA(Aust.) of CPA Australia, AHKSA, aged 30, is the Group's Chief Accountant and the Company Secretary of the Company. He is responsible for the group's finance, accounting and company secretarial functions. He joined the Group in June 2001. He has over five years experience in auditing and accounting.

Mr Thien Nam Yu, aged 32, is the Assistant General Manager – Manufacturing and is responsible for supervising and monitoring the daily operations of one of the Group's factory plants in Mainland China. He holds a bachelor degree in mechanical engineering from Xian Jiaotong University in Mainland China. Prior to joining the Group in 1994, he had 3 years of experience in the chemical processing industry.

Mr Chau Jian Zhong, aged 48, is the Deputy Plant Manager and is responsible for supervising and monitoring the daily operations of the Group's electric cable division in Mainland China. He joined the Group in 1992 and has over 14 years of experience in factory operation.

Mr Shu Hon Tai, aged 58, is the Deputy Plant Manager and is responsible for supervising and monitoring the daily operations of the Group's plastic resins division in Mainland China. He joined the Group in 1997 and has over 17 years of experience in factory operation.

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DIRECTORS' SERVICE CONTRACTS

On 1st January 2000, MON Chung Hung, KOO Di An, Louise and SIU Yuk Shing, Marco entered into service contracts with the Company for a term of three years. Each of them will continue thereafter until terminated by either party concerned with not less than three months' notice in writing.

On 1st November 2000, LI Ho Cheong entered into a service contract with the Company for a term of three years and will continue thereafter until terminated by either party concerned with not less than three months' notice in writing.

On 3rd September 2001, LI Man Wai entered into a service contract with the Company for a term of two years and will continue thereafter until terminated by either party concerned with not less than three months' notice in writing.

Apart from the above, none of the Directors proposed for re-election has an unexpired service contract with the Company which is not determinable by the Company within one year and without payment of compensation other than under normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid legal fees of approximately HK\$41,000 (2000: HK\$1.5 million) to LIU, CHAN and LAM, of which Mr. LAM Hon Mo, an independent non-executive director, is a senior partner.

Apart from the above, no contracts of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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— DIRECTORS' INTEREST IN EQUITY OR DEBT SECURITIES —

At 31st December 2001, the interests of the Directors and chief executives of the Company in the shares and share options of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") and other interests of the Directors in the Company 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 per cent by Mr MON Chung Hung and as to the remaining 0.1 per cent 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 5th 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 31st December 2001, no options have been granted under this scheme.

Apart from the above, at no time during the year was the Company or 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' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY ————

As at 31st December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

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

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

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MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Code of Best Practice has been complied with by the Company throughout the year 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.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr LAM Hon Mo, Frederick and Mr LAU Chun Kay. Two meetings were held in respect of the current financial year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors have an interest in any business constituting a competing business to the Group.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Mon Chung Hung

Chairman

Hong Kong, 26th March 2002