

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

I am pleased to announce the improved performance of the Group for the six months ended 30th June 2002 despite the challenging market conditions and difficult business environment.

Turnover of the Group grew by 14% to HK\$108,610,000 during the first half of 2002 as compared with the corresponding period in 2001. This major growth yielded an increase in revenues.

The Group's unaudited consolidated profit attributable to shareholders increased by 150% to HK\$4,252,000, compared with a loss of HK\$8,567,000 for the same period in 2001. Earnings per share were up 149% to HK\$2.1 cents. The Board has declared an interim dividend for the year ending 31st December 2002 of HK\$1 cent (2001: Nil) per share to members of the Company whose names appear on the register of members of the Company on 4th October 2002. The register of members of the Company will be closed from 3rd October 2002 to 4th October 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's shares register, Central Registration Hong Kong Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 2nd October 2002. The Board expects that the interim dividend declared will be paid on or about 15th October 2002.

Liquidity and financial resources

As at 30th June 2002, the Group's total amount of bank deposits and cash was HK\$5,259,000. The consolidated indebtedness of the Group, including short-term debts of HK\$20,984,000, was HK\$29,935,000. All of the borrowings are denominated in Hong Kong dollars and bear interest rate at floating rates.

The amount of the Group's working capital was HK\$15,165,000 (31st December 2001: HK\$8,837,000). The current ratio was 1.25. The Group's trade receivables were HK\$45,077,000 representing 42% of the turnover of HK\$108,610,000. The percentage of doubtful debt was 0.5% of trade receivables.

The shareholders' equity of the Group was HK\$117,862,000, an increase of 3.7% over that of the last period. The gearing ratio, calculated by dividing total liabilities to shareholders' equity, was 61%.

Pledge of assets

As at 30th June 2002, the Group's banking facilities amounting to approximately HK\$75,000,000 (31st December 2001: HK\$72,000,000) were secured by legal charges over certain land and buildings and investment property of the Group with a total net book value of HK\$37,366,000 (31st December 2001: HK\$37,781,000), corporate guarantees given by the Company, letters of undertaking from the Company and a subsidiary covenanting that their tangible net worth will be maintained at not less than HK\$45,000,000 (31st December 2001: HK\$45,000,000) and HK\$10,000,000 (31st December 2001: HK\$10,000,000) respectively and a deed of guarantee executed by the Company amounting to HK\$33,000,000 (31st December 2001: HK\$33,000,000).