

## Management Discussion and Analysis

### RESULTS

The Group's turnover for the six months ended 30 June 2002 amounted to HK\$356 million (2001: HK\$348 million). Profit for the period was HK\$45.8 million (2001: HK\$49.1 million).

### SEGMENTAL INFORMATION

	Six months ended 30 June 2002		Six months ended 30 June 2001	
	Turnover	Contribution	Turnover	Contribution
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By geographical segments:</b>				
The People's Republic of China	89,093	12,968	94,882	4,720
Europe	36,599	5,638	55,236	9,800
Hong Kong	46,291	7,922	55,192	14,844
Japan	55,650	9,656	31,432	8,751
South Korea	75,706	13,163	73,996	20,796
Others (Note)	52,980	7,477	36,900	777
	<u>356,319</u>	<u>56,824</u>	<u>347,638</u>	<u>59,688</u>
Interest income from bank deposits		495		1,134
Unallocated corporate expenses		(312)		(423)
Profit from operations		<u>57,007</u>		<u>60,399</u>
<b>By business segments:</b>				
Liquid crystal display products	306,973	53,373	274,542	56,473
Electronic consumer products	49,346	3,451	73,096	3,215
	<u>356,319</u>	<u>56,824</u>	<u>347,638</u>	<u>59,688</u>
Interest income from bank deposits		495		1,134
Unallocated corporate expenses		(312)		(423)
Profit from operations		<u>57,007</u>		<u>60,399</u>

Note: This category includes sales to countries in North and South Americas, Australia, the Middle East, Africa, the Commonwealth of Independent States and other Asian countries.

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### BUSINESS REVIEW AND OUTLOOK

LCD sales for the period were HK\$307 million, which comprised 86% of the Group's turnover. The sustainable growth was a result of our dedicated marketing effort which covered orders from every penetrable electronic segment. Extensive geographical coverage for customer base was a proven success in this business. The Group expects to enlarge the sales portfolio to sell to more multinational corporations which in the past placed their purchase orders to elsewhere. Under the existing production capacity, we are confident of achieving an annual double-digit growth in LCD turnover over the next three to five years.

The Group's other electronic product business was quite stable during the period with product range from simple electronic calculators to multi-purpose MP3 players and component supply to customers from rubber key-pads to sophisticated multi-layer printed circuit boards ("PCB"). The manufacturing and sales of the Group's patented electrical tooth-brush products will be the major driving force for a huge growth in this division. This new business is expected to play a very important role in enhancing the Group's future profitability.

### LIQUIDITY AND FINANCIAL RESOURCES

There were no material changes in the assets and liabilities of the Group as at 30 June 2002 compared to the last financial year end at 31 December 2001. The current ratio was maintained at a comfortable level of around 1.44 while the gearing ratio based on bank and other borrowings, net of cash and bank balances was approximately 15%.

The total bank and other borrowings, net of cash and bank balances of HK\$100 million were about HK\$128 million. Among the total gross borrowings of HK\$228 million, HK\$211 million were repayable within a year with the remaining balances repayable within a period of two to three years. At 30 June 2002, the Group had pledged certain of its leasehold properties and related assets with an aggregate carrying value of approximately HK\$8 million to secure banking facilities granted to the Company's subsidiaries.

Capital expenditure of HK\$400 million for the next three years in respect of acquisition of property, plant and equipment was authorised but not contracted for. Their expected sources of funding will be principally from internal reserves.

## *Management Discussion and Analysis*

### GENERAL

There was no material change to the capital structure of the Group during the six months ended 30 June 2002.

The state of the Group's current order books is very satisfactory.

Except for investments in subsidiaries, neither the Group nor the Company had held any material investments during the six months ended 30 June 2002.

There were no material acquisitions and disposals of subsidiaries and associated companies in the course of the financial period.

There are around 2,800 workers and employees currently employed in the Group's Shan Wei factory and less than 60 staff in our Hong Kong office.

Other than trade bills discounted to banks in the ordinary course of business, the Group had no material contingent liabilities. Exposure to fluctuations in exchange rates was minor and properly hedged.