

## BUSINESS REVIEW

Turnover of the Group for the six months ended September 30, 2001 was HK\$1,079.8 million, recording a drop of 33% against the corresponding period last year. The drop in the Group's turnover has been due essentially to the telecommunication and electronic personal information products divisions. This contrasts with the continuing growth of the Group's branded business which enjoyed an increase in turnover of 5% to HK\$393.4 million over the corresponding period last year and now accounts for approximately 36% of the Group's turnover.

Profit from operations was HK\$89.8 million, representing a return on sales of approximately 8%, compared with HK\$172.7 million and approximately 11% respectively for the corresponding period last year. The growth in the Group's branded business contributed to an improvement in the Group's gross margin from 26% to 32%. Operating expenses were stable recording a slight increase of 6% essentially in selling expenses. Management are continuously seeking to improve the leveraging of its expense base whilst balancing the needs to invest in order to grow the business.

Profit attributable to shareholders for the period was HK\$51.0 million or approximately 5% of turnover, compared with HK\$109.7 million and approximately 7% respectively for the corresponding period last year. All business divisions achieved profits from operations in the period.

The major business development of each business division is as follows:

**LCD Consumer Electronic Products** recorded sales of HK\$421.4 million, representing approximately 39% of the Group's turnover. About 60% of the sales of this division were through the Group's "Oregon Scientific" and "Huger" brands which are marketed through the Group's subsidiaries located in Europe, the US and Asia.

Overall branded sales for the division grew by 3% compared with the corresponding period last year. The products marketed through the Group's own brands continue to increase their presence worldwide through the application of the Group's retail concept and the support offered by the marketing subsidiaries to their local distribution and retail networks. These include point of sales materials, promotional activities and advertising support.



**BUSINESS REVIEW** (continued)

In the current economic downturn, this division is focusing its efforts in developing new products across all its product categories with improved features and design to be ready for the recovery which is now expected to arrive in calendar year 2002. The new range of health care and sports products have been launched in September this year and have received a favourable response from the markets which is hoped will translate into significant orders.

**Telecommunication Products** recorded sales of HK\$324.7 million, representing approximately 30% of the Group's turnover. This division's dependence on the US market and the pricing pressures which began in the second half of last financial year have had a significant adverse impact on the division's turnover. The division has aggressively developed and launched new models in the 900 MHz segment and together with a tight control on material costs has been able to recover part of the revenue lost through price erosion.

The Group is pursuing its strategy to move the business of this division to higher technologies and more profitable products aimed at the European market using its own "Oregon Scientific" brand and sales network. A new range of Digital Enhanced Telecommunications cordless telephone and Private Mobile Radio are being developed for introduction in the late second half of this financial year.

**Electronic Personal Information Products** recorded sales of HK\$117.6 million, representing approximately 11% of the Group's turnover. About 45% of this division's sales were through the Group's "Oregon Scientific" brand. The division has successfully launched a series of new digital voice, digital imaging and Personal Digital Assistant products during the period and has many new products already in its development pipeline to respond to the rapid changes in this sector of the consumer electronics market. The division continues to be profitable contributing HK\$13.2 million for the period.

**Electronic Learning Products** recorded sales of HK\$201.0 million, representing approximately 19% of the Group's turnover. Sales through the "Oregon Scientific" brand accounted for 43% of the division's sales. The division's strategy of differentiation through emphasizing the educational aspects coupled with the character based concept has allowed it to obtain a strong foothold in this market. The division has also focused on the character based theme through licensing and expects this strategy to accelerate the division's growth opportunities.

