

BUSINESS REVIEW

The Group was successfully listed on the Main Board of the Stock Exchange on 12 April 2001 by offering 72,000,000 shares at an issue price of HK\$0.50 per share, generating net proceeds of approximately HK\$25.5 million, which will be used to finance the Group's capital expenditure and strengthen its capital base and financial position. For the six months ended 30 September 2001, the Group recorded satisfactory growth with consolidated turnover growing from HK\$68,018,000 to HK\$75,982,000, representing approximately a 12% increase over the same period last year. The Group's profit attributable to shareholders for the period amounted to HK\$11,652,000 compared with HK\$15,325,000 same period last year, representing approximately a 24% decrease. The earnings per share for the period were 2.9 HK cents (2000: 4.7 HK cents).

The Group's main business is focused on the manufacture and sale of silicon rubber keypads and household products made of melamine and silicon rubber including tableware, ashtrays, soap dishes and clocks. During the period under review, the Group has recorded sales of melamine products of approximately HK\$59,223,000 (2000: HK\$55,557,000), representing an increase of approximately 7% when compared with the corresponding period in 2000. The Group's sales of silicon rubber products, including keypads, amounted to approximately HK\$16,759,000 (2000: HK\$12,461,000), representing an increase of approximately 34% compared with the same period last year. The Group's turnover was approximately HK\$75,982,000 for the six months ended 30 September 2001, of which 78% was attributable to the melamine products and 22% was attributable to the silicon rubber products.

The Group's products are mainly sold to Hong Kong, Southeast Asia, South America, Europe and other markets, which accounted for about 37%, 27%, 32%, 3% and 1% respectively of the Group's turnover for the period ended 30 September 2001.

Melamine Products

ODM and OEM products accounted for approximately 88% and 12% respectively of the turnover of melamine products during the period under review. Starting from the second quarter of 2001, the global economy, especially the US, has been worsening. Given that the Group's OEM products are mainly sold to the US, the sale of these products has decreased accordingly, with the diminishing demand for OEM premium and gift items in the US. In the meantime, the ODM products, which are mainly sold to Southeast Asia and South America, have attained a steady increase in sales volume during the period under review. Given the lower selling price and profit margins of the ODM products, a change in the sale mix between ODM and OEM products rendered an overall reduction in the Group's profit attributable to shareholders for the six months period ended 30 September 2001.

Silicon Rubber Products

The Group's silicon rubber products include silicon rubber keypads, soup dishes, tablemat and other household wares. In view of the electronic products market, which has been continuously downsizing over the recent years, and being a key component of electronic products, the sales of silicon rubber keypads have recorded a decrease of approximately 33% during the period under review.

Apart from the silicon rubber keypads, the Group has begun to develop the silicon rubber household ware in recent years and succeeded in generating substantial revenue to the Group in the past years. During the period under review, the newly developed household ware products have attained a significant growth in sales volume and as a result of which, the overall performance of the sale of silicon rubber products is mounting.

Marketing Strategies

Being a booming enterprise with solid foundation, the Group has put great emphasis on interacting with its customers in product design and development. The marketing staff of the Group is dedicated to maintain a close tie with the customers in the course of product development. Besides, the Group has participated in various exhibitions and trade fairs so as to acquire more information about the latest trends of the household products which helps to provide the most up-to-date product design to the customers.