

Interim Report



J.I.C. Technology Company Limited

2002

Unaudited Interim Results

The board of directors ("the Directors") of J.I.C. Technology Company Limited ("the Company") is pleased to announce the unaudited consolidated results of the Company for the 6 months ended 30 June 2002.

Condensed Income Statement

For the six months ended 30 June 2002

		Six months ended 30 June	
		2002	2001
	Notes	(Consolidated) HK\$'000 (unaudited)	(Combined) HK\$'000 (unaudited)
Turnover	2	111,761	135,428
Cost of sales		(91,166)	(111,186)
Gross profit		20,595	24,242
Other revenue		2,470	11,052
Distribution costs		(1,192)	(1,758)
Administrative expenses		(11,311)	(13,952)
Profit from operations	3	10,562	19,584
Finance costs	4	(103)	(59)
Profit before taxation		10,459	19,525
Taxation	5	(104)	(838)
Profit for the period	13	10,355	18,687
Dividends	6	7,810	—
Earnings per share	7		
Basic		2.39 cents	10.24 cents
Diluted		1.36 cents	2.45 cents

Condensed Balance Sheet*At 30 June 2002*

	<i>Notes</i>	At 30 June 2002 (Consolidated) <i>HK\$'000</i> (unaudited)	At 31 December 2001 (Combined) <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	<i>8</i>	108,470	29,878
Club membership		381	381
		<u>108,851</u>	<u>30,259</u>
Current assets			
Inventories		23,042	15,738
Trade and other receivables	<i>9</i>	72,450	52,982
Amounts due from related companies		—	52,134
Tax recoverable		2,597	—
Bank balances and cash		17,875	12,666
		<u>115,964</u>	<u>133,520</u>
Current liabilities			
Trade and other payables	<i>10</i>	63,074	43,143
Amounts due to related companies		—	53
Taxation		1,310	501
Bank borrowings			
— due within one year	<i>11</i>	8,775	5,106
		<u>73,159</u>	<u>48,803</u>
Net current assets		<u>42,805</u>	<u>84,717</u>
Total assets less current liabilities		<u>151,656</u>	<u>114,976</u>
Non-current liabilities			
Bank borrowings			
— due after one year	<i>11</i>	26,325	—
Deferred taxation		630	630
		<u>26,955</u>	<u>630</u>
		<u>124,701</u>	<u>114,346</u>
Capital and reserves			
Share capital	<i>12</i>	7,810	—
Reserves	<i>13</i>	116,891	114,346
		<u>124,701</u>	<u>114,346</u>

Condensed Cash Flow Statement

For the six months ended 30 June 2002

	Six months ended 30 June	
	2002 (Consolidated) HK\$'000 (unaudited)	2001 (Combined) HK\$'000 (unaudited)
Net cash from/(used in) operating activities	53,670	(9,618)
Net cash used in investing activities	(83,458)	(4,629)
Net cash from/(used in) financing activities	34,997	(755)
Net increase/(decrease) in cash and cash equivalents	5,209	(15,002)
Cash and cash equivalents at beginning of the period	12,666	33,954
Cash and cash equivalents at end of the period	17,875	18,952
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	17,875	18,952

Notes to the Condensed Financial Statements

For the six months ended 30 June 2002

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 January 2002 under the Companies Law (2000 Revision) of the Cayman Islands. The ordinary shares of the Company have been listed on The Stock Exchange of Hong Kong Limited with effect from 4 June 2002.

Pursuant to the implementation of the proposal as contemplated under the restructuring agreement dated 14 January 2002 entered into between Nam Tai Electronics, Inc. ("Nam Tai"), the Company, Albatronics (Far East) Company Limited ("Albatronics") and the joint and several liquidators of Albatronics (the "Proposal"), the Company became the holding company of the Group, further details of which are set out in the document dated 18 April 2002 entitled "Restructuring Proposal for Albatronics (Far East) Company Limited (in liquidation) By Way of Schemes of Arrangement and New Listing of J.I.C. Technology Company Limited By Way of Introduction" (the "Document").

The Group, resulting from the above-mentioned restructuring, is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group.

The condensed financial statements have been prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The basis of preparation and principal accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those adopted in the accountants' report of the Group as included in the Document, except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002. The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

i. SSAP 15 (revised): Cash flow statements

The presentation and classification of items in the cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised). As a result, cash flows during the period have been classified by operating, investing and financing activities. For the six months ended 30 June 2001, interest received of approximately HK\$530,000 and net cash outflow from taxation of approximately HK\$3,588,000 have been reclassified as operating cash flows, whereas interest paid of approximately HK\$59,000 has been reclassified as financing cash flow. In addition, cash and cash equivalents have been reclassified to comprise cash on hand and demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank borrowings, including the trust receipt loans, are included in financing activities. Certain comparative figures have also been reclassified to conform with the current period's presentation; and

ii. SSAP 11 (revised): Foreign currency translation

In prior periods, on combination, the financial statements of subsidiaries which were denominated in foreign currencies were translated at the rates ruling on the balance sheet dates. All exchange differences arising on combination were dealt with in reserves. With effect from 1 January 2002, the Group adopted an accounting policy of translating the income and expense items of subsidiaries of the Company at the applicable average rates of exchange during the period, in order to comply with SSAP 11 (revised). The new accounting policy has been adopted prospectively and the effects of the change relating to prior periods are not significant.

2. SEGMENTAL INFORMATION

The Group is principally engaged in the trading and manufacturing of liquid crystal displays panels and transformers, and carries out its activities mainly in the People's Republic of China (the "PRC") including Hong Kong. An analysis of the Group's revenue and net profits for the period by principal activity and geographical market, respectively, is as follows:

By principal activity (unaudited)

	Transformer HK\$'000	Liquid Crystal Displays HK\$'000	Total HK\$'000
For the six months ended 30 June 2002			
Revenue	<u>37,319</u>	<u>74,442</u>	<u>111,761</u>
Contribution to profit from operations	<u>2,025</u>	<u>8,537</u>	<u>10,562</u>
For the six months ended 30 June 2001			
Revenue	<u>48,453</u>	<u>86,975</u>	<u>135,428</u>
Contribution to profit/ (loss) from operations	<u>(37)</u>	<u>19,621</u>	<u>19,584</u>

By geographical market (unaudited)

	Hong Kong HK\$'000	The PRC, other than Hong Kong HK\$'000	Japan HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 30 June 2002					
Revenue	<u>32,689</u>	<u>60,811</u>	<u>14,425</u>	<u>3,836</u>	<u>111,761</u>
Contribution to profit from operations	<u>2,772</u>	<u>6,635</u>	<u>832</u>	<u>323</u>	<u>10,562</u>
For the six months ended 30 June 2001					
Revenue	<u>58,749</u>	<u>55,089</u>	<u>19,302</u>	<u>2,288</u>	<u>135,428</u>
Contribution to profit from operations	<u>4,025</u>	<u>14,919</u>	<u>309</u>	<u>331</u>	<u>19,584</u>

3. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Depreciation		
— owned assets	4,608	4,058
— assets held under hire purchase contracts	—	61
(Reversal of provision)/Provision for inventory obsolescence	(2,257)	1,485
Loss on disposal of property, plant and equipment	<u>280</u>	<u>159</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Interest on:		
— bank borrowings wholly repayable within five years	103	54
— obligations under hire purchase contracts	—	5
	103	59

5. TAXATION

The charge comprises:

Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the period		
— current period	—	700
— overprovision in prior periods	—	(26)
Income tax calculated at the rates prevailing in the PRC for the period	104	164
	104	838

6. DIVIDENDS

Proposed interim dividends		
— HK\$0.01 per ordinary share	1,826	—
— HK\$0.01 per preference share	5,984	—
	7,810	—

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2002 of HK\$10,355,000 less interim preference dividends of HK\$5,984,000 (six months ended 30 June 2001: HK\$18,687,000) and on 182,544,465 ordinary shares in issue as a result of the restructuring as described in Note 1 and as if all these shares had been in issue since 1 January 2001.

The calculation of diluted earnings per share is assuming 763,534,756 ordinary shares in issue and issuable, comprising 182,544,465 ordinary shares were issued, plus 580,990,291 ordinary shares deemed to be issued upon full conversion of the 598,420,000 preference shares at the initial conversion ratio of 1.03 preference shares to 1 ordinary share.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2002, the Group acquired property, plant and equipment at a cost of approximately HK\$83,517,000 (year ended 31 December 2001: HK\$15,235,000). During the same period, the Group disposed of certain of its property, plant and equipment with an aggregate carrying value of approximately HK\$316,000 (year ended 31 December 2001: HK\$2,359,000).

9. TRADE AND OTHER RECEIVABLES

The credit terms of the Group range from 30 to 90 days.

The following is an aged analysis of trade receivables at the respective balance sheet dates:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Trade receivables:		
0 — 30 days	34,999	17,004
31 — 60 days	21,224	13,388
61 — 90 days	5,598	8,337
Over 90 days	2,584	3,200
	<u>64,405</u>	<u>41,929</u>
Other receivables	8,045	11,053
	<u>72,450</u>	<u>52,982</u>

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Trade payables:		
0 — 30 days	27,492	8,027
31 — 60 days	19,775	10,566
61 — 90 days	5,494	14,246
Over 90 days	1,128	2,433
	<u>53,889</u>	<u>35,272</u>
Other payables	9,185	7,871
	<u>63,074</u>	<u>43,143</u>

11. BANK BORROWINGS

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Bank borrowings comprise of:		
Bank loans	35,100	—
Trust receipt loans	—	5,106
	<u>35,100</u>	<u>5,106</u>
Unsecured	<u>35,100</u>	<u>5,106</u>

The bank borrowings are repayable as follows:

Within one year or on demand	8,775	5,106
After one year and within two years	8,775	—
After two years and within five years	17,550	—
	<u>35,100</u>	<u>5,106</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(8,775)</u>	<u>(5,106)</u>
Amount due after one year	<u>26,325</u>	<u>—</u>

12. SHARE CAPITAL

	30 June 2002 (unaudited) HK\$'000
Authorised:	
— 2,000,000,000 ordinary shares of HK\$0.01 each	20,000
— 600,000,000 preference shares of HK\$0.01 each	6,000
	26,000
Issued and fully paid:	
— 182,544,465 ordinary shares of HK\$0.01 each	1,826
— 598,420,000 preference shares of HK\$0.01 each	5,984
	7,810
	7,810

13. UNAUDITED CONDENSED STATEMENT OF MOVEMENTS IN EQUITY

The movements in the equity of the Group for the six months ended 30 June 2001 and 2002 were as follows:

	Share Capital			Reserves				Total share- holders' equity	
	Ordinary shares	Preference shares	Paid-up share capital	Goodwill reserve	Special reserve	Retained profits	Proposed dividends		Total reserves
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000	HK\$'000		HK\$'000
At 1 January 2002	—	—	—	(8,351)	510	122,187	—	114,346	114,346
Issue of ordinary shares in accordance with the Shareholders' Scheme (Note ii)	45	—	45	—	(45)	—	—	(45)	—
Issue of ordinary shares in accordance with the Creditors' Scheme (Note iii)	481	—	481	—	(481)	—	—	(481)	—
Issue of ordinary and preference shares in accordance with the Sale and Purchase Agreement (Note iv)	1,300	5,984	7,284	—	(7,284)	—	—	(7,284)	—
Net profit for the period	—	—	—	—	—	10,355	—	10,355	10,355
Proposed interim dividends (Note 6)	—	—	—	—	—	(7,810)	7,810	—	—
At 30 June 2002	1,826	5,984	7,810	(8,351)	(7,300)	124,732	7,810	116,891	124,701
At 1 January 2001	—	—	—	(8,351)	510	80,165	—	72,324	72,324
Net profit for the period	—	—	—	—	—	18,687	—	18,687	18,687
At 30 June 2001	—	—	—	(8,351)	510	98,852	—	91,011	91,011

Notes:

- i. The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company in consideration thereof.
- ii. Pursuant to the implementation of the scheme of arrangement entered into between Albatronics and its then shareholders relating to the Proposal (the "Shareholders' Scheme"), the ordinary shares of Albatronics have been transferred to the Company and the shareholders of Albatronics received 4,444,465 ordinary shares of the Company, credited as fully paid-up. The ordinary shares of Albatronics were subsequently transferred to the joint and several liquidators of Albatronics for a nominal consideration of HK\$1.00.

- iii. Pursuant to the implementation of the scheme of arrangement entered into between Albatronics and its admitted creditors relating to the Proposal (the "Creditors' Scheme"), the creditors of Albatronics received 44,000,000 ordinary shares of the Company, credited as fully paid-up, and Nam Tai received a further 4,100,000 ordinary shares of the Company, credited as fully paid-up.
- iv. Pursuant to the sale and purchase agreement entered into between Nam Tai and the Company in relation to the acquisition of J.I.C. Group (B.V.I.) Limited ("J.I.C.") (the "Sale and Purchase Agreement"), the Company acquired from Nam Tai the entire issued share capital of J.I.C., in consideration for which (i) Nam Tai received 122,190,000 ordinary shares of the Company, credited as fully paid-up, (ii) Nam Tai received 598,420,000 non-voting non-redeemable convertible preference shares, credited as fully paid-up, and (iii) at Nam Tai's direction, and for the purposes of Nam Tai's reimbursement of Yu Ming Investment Management Limited ("Yu Ming") for the provision of professional advisory services to Nam Tai in relation to the Proposal, the Company allotted and issued 7,810,000 ordinary shares, credited as fully paid-up, to Yu Ming or its nominee.

Further details in relation to the above are set out in the Document.

14. OPERATING LEASE COMMITMENTS

At the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office properties and factory premises, which fall due as follows:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Within one year	9,774	6,537
In the second to fifth year inclusive	19,316	25,854
Over five years	3,913	7,025
	<u>33,003</u>	<u>39,416</u>

15. CAPITAL COMMITMENTS

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Capital expenditures in connection with the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>4,548</u>	<u>72,069</u>

16. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transactions	Six months ended 30 June 2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
<i>Companies in which directors of the Company have beneficial interests:</i>			
Li & Chui (Holdings) Company Limited (formerly known as "J.I.C. (Holdings) Company Limited")	Motor vehicles sold by the Group (Note i)	—	1,095

Name of related party	Nature of transactions	Six months ended 30 June	
		2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
<i>Nam Tai and its subsidiaries:</i>			
Nam Tai	Development charges received by the Group (Note ii)	—	9,000
Nam Tai Group Management Limited	Service fees paid by the Group (Note iii)	<u>440</u>	<u>—</u>

Notes:

- i. The transactions were carried out at terms determined and agreed by both parties.
- ii. The transactions were carried out in accordance with the relevant service agreements in respect of consultancy and advisory services provided and received by the Group.
- iii. The Group has entered into a business facilities agreement with Nam Tai Group Management Limited, of which Nam Tai Group Management Limited provided the Group with (i) office space furnished with fittings, decorations, office equipment and furniture and use of common areas; and (ii) certain office facilities, office services and outgoings, office equipment and utilities.

The directors of the Company have represented that all of the above-mentioned transactions were entered into in the ordinary course of business of the Group.

As at 31 December 2001, Nam Tai and its subsidiaries had given guarantees amounting to HK\$116 million to a bank in respect of banking facilities granted to the Group. For the six months ended 30 June 2002, the guarantees given by Nam Tai and its subsidiaries expired and were released.

Interim Dividend

The Directors have resolved to declare an interim dividend of HK\$0.01 per share. The interim dividend will be payable on or before 30 August 2002 to shareholders whose names appear on the Register of Members of the Company at the close of business on 16 August 2002.

Closure of Register of Members

The Register of Members of the Company will be closed from 14 August 2002 to 16 August 2002 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfer forms of the relevant share certificates must be lodged with the Company's registrars in Hong Kong: Computershare Hong Kong Investor Services Limited (formerly known as Central Registration Hong Kong Limited), Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 13 August 2002.

Management Discussion & Analysis

Business Review

The restructuring agreement entered into between the Company, Albatronics (Far East) Company Limited (in liquidation) ("Albatronics"), Mr. John Toohey and Mr. David Ng (the joint and several liquidators of Albatronics) ("the Liquidators") and Nam Tai Electronics, Inc. ("NTEI") was completed on 31 May 2002. As a result, the listing status of Albatronics was obtained by the Company and the shares of the Company were listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") by way of introduction. The shares of the Company commenced trading on the Stock Exchange on 4 June 2002. Save and except for the listing status of Albatronics, the Company has not acquired any business or assets of Albatronics from the Liquidators.

Turnover for the 6 months ended 30 June 2002 was down by approximately 17% to approximately HK\$111.8 million from HK\$135.4 million for the first 6 months of 2001. Gross profit for the first 6 months of 2002 was approximately HK\$20.6 million, a decrease of approximately 15% compared to gross profit of HK\$24.2 million for the first 6 months of 2001. Profit from operations for the first 6 months of 2002 was approximately HK\$10.6 million, a decrease of approximately 46% compared to profit from operations of HK\$19.6 million for the first 6 months of 2001, including a one-time income of HK\$9.0 million from NTEI hereaftermentioned. Net profit for the first 6 months in 2002 was approximately HK\$10.3 million, a decrease of approximately 45% compared to net profit of HK\$18.7 million for the first 6 months of 2001. Basic and diluted earnings per share for the first 6 months of 2002 were 2.39 HK cents and 1.36 HK cents compared to earnings per share of 10.24 HK cents and 2.45 HK cents respectively for the first 6 months of 2001.

The principal businesses of the Company are the manufacturing of LCD panels and transformers. As the future growth potential and prospect from LCD panels are better than those from transformers, it is the intention of the Company to apply greater resources to expand the LCD panels business, which will eventually become the main stream business of the Company. It is the intention of the Company to gradually fade out its business on transformers.

The Company has therefore strategically invested approximately HK\$92 million in a new STN production line. This production line has just commenced operation in the second quarter of 2002 and it will enable the Company to upgrade its technological capability and to produce fine pitch STN panels of better quality.

The turnover of the Company on the business of manufacturing of LCD panels decreased by approximately 14% from approximately HK\$86,975,000 (for the 6 months ended 30 June 2001) to approximately HK\$74,442,000.

The turnover on the manufacturing of transformers drops from approximately HK\$48,453,000 (for the 6 months ended 30 June 2001) to approximately HK\$37,319,000. At the end of March, the Company consolidated its two transformer factories into one and we expect there will be improved efficiency, in terms of both costs and production. As mentioned, the Company intends to gradually fade out its business on transformers.

For the 6 months ended 30 June 2001, the Company received HK\$9 million development charge from NTEI, the controlling shareholder of the Company, for the provision of technical support and advice to NTEI and its subsidiaries based on the Company's extensive knowledge and experience in the LCD industry. Such development charge was a one-off revenue and the Company does not expect to continue to report such revenue from NTEI. Excluding such one-off revenue, the profit from operation for the 6 months ended 30 June 2002 actually increases by approximately 7% over the same period of last year.

Liquidity and Financial Resources

The Company continues to maintain a strong financial position with approximately HK\$53.7 million net cash inflow from operating activities during the interim period of 2002, and 9.79 HK cents of cash per share and 68.31 HK cents of net book value per share based on 182,544,465 issued ordinary shares. The Company as at 30 June 2002, had a cash to current liabilities ratio of 0.24, a current ratio of 1.59, a total assets to total liabilities ratio of 2.25, and approximately HK\$17.9 million of cash on hand.

As at 30 June 2002, the Company had total assets of approximately HK\$224.8 million, which were financed by current liabilities, non-current liabilities and shareholders' equity of HK\$73.1 million, HK\$27 million and HK\$124.7 million respectively. As at 30 June 2002, the Company has issued 182,544,465 ordinary shares of par value of HK\$0.01 each and 598,420,000 preference shares of par value of HK\$0.01 each. Such preference shares of the Company are convertible into ordinary shares of the Company at the conversion ratio of 1.03 preference shares to 1 ordinary share provided that no holder of preference shares shall be entitled to exercise the conversion rights if as a result, the minimum prescribed percentage of ordinary shares in "public hands" as prescribed in The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") is not satisfied.

By taking the advantage of the low interest rate environment, the Company has borrowed a bank loan of approximately HK\$35.1 million to meet its funding requirements. As at 30 June 2002, the gearing ratio (total long-term liabilities/total shareholders' equity) was 21% (31 December 2001: Nil).

Since the Company usually conducts its business transactions in Hong Kong Dollars and US Dollars and over 90% of the Company's cash is in either Hong Kong Dollars or US Dollars, the exposure to exchange rate fluctuation is minimal and there is no hedging requirement.

Contingent Liabilities

As at 30 June 2002, the Company has provided guarantees to banks in respect of banking facilities granted to subsidiaries amounting to approximately HK\$70.1 million (31 December 2001: HK\$116.0 million) of which approximately HK\$35.4 million (including the aforesaid bank loan of HK\$35.1 million) (31 December 2001: HK\$74.4 million) has been utilised.

Staff and Employment

As at 30 June 2002, the Company employed a total of 2,152 employees, of which 1,487 are employed by LCD division and 665 are employed by transformer division.

The Company's remuneration policies, including both salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate. In addition to receiving salaries and bonus, employees are also entitled to other benefits, including medical subsidies and a retirement scheme contribution. The Company follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Company's businesses.

Future Prospects

The Company believes that the second half of 2002 will be full of challenges. It is anticipated that there will be keen market competition and a soft market.

The technological capability and the manufacturing capacity of the Company have already been improved by the installation of the new STN production line. With commencement of its operation, the Company believes that its turnover will be improved accordingly.

Regarding market competitiveness, the Company will continue focusing on costs control and will use its best endeavours to maintain its previous success thereon. The Company will constantly review the material costs for its products to ensure that its products are competitively priced.

Furthermore, the Company will, at appropriate time, invest further to upgrade its technological capabilities to meet the ever changing market demand. In particular, the Company will closely monitor the growth on demand for colour LCD panels and will make further capital investments on production facilities for colour LCD panels at appropriate time.

Directors' Interest in Securities

As at 30 June 2002, the interests of the Directors in the share capital or equity interest of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance) ("SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

The Company

As at 30 June 2002, none of the directors held any shares in the issued share capital of the Company.

Associated Corporation

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
NTEI	Tadao Murakami	667,155	—	—	290,094 ³	957,249
	Koo Ming Kown	2,241,131 ²	—	—	1,105,850 ³	3,346,981
	Li Shi Yuen, Joseph ¹	—	—	1,061,087	20,000 ³	1,081,087
	Chui Kam Wai ¹	—	—	1,061,087	10,000 ³	1,071,087
	Seitaro Furukawa	—	—	—	10,000 ³	10,000

Note:

1. Mr. Li Shi Yuen, Joseph ("Mr. Li") and Mr. Chui Kam Wai ("Mr. Chui") are the beneficial owners of the entire issued share capital of Li & Chui Holdings (B.V.I.) Limited ("Li and Chui"). Each of them holds 50% interest in Li & Chui. Li & Chui holds 1,061,087 shares of NTEI and Mr. Li and Mr. Chui are deemed to be interested in the same number of shares held by Li & Chui by virtue of the SDI Ordinance.
2. 1,588,495 common shares of US\$0.01 each in NTEI are owned by Mr. Koo Ming Kown and Ms. Sui Sin Cho (Spouse of Mr. Koo Ming Kown) jointly.
3. As at 30 June 2002, the directors who held warrants and options of NTEI are as follows:

Warrants

Name of Director	No. of warrants	Expiry date	Exercise price US\$
Tadao Murakami	175,094	24 Nov 02	20.400
Koo Ming Kown	976,850	24 Nov 02	20.400

Stock Option

Name of Director	No. of share options	Date granted	Period during which rights exercisable	Exercise price US\$
Tadao Murakami	50,000	1 Feb 2000	31 May 01 — 31 Jan 03	13.875
	40,000	16 Mar 2001	16 Mar 01 — 16 Mar 04	13.940
	25,000	30 Apr 2002	30 Apr 02 — 30 Apr 05	19.850
	<u>115,000</u>			
Koo Ming Kown	50,000	1 Feb 2000	31 May 01 — 31 Jan 03	13.875
	40,000	22 June 2001	22 Jun 01 — 22 Jun 04	14.500
	39,000	30 Apr 2002	30 Apr 02 — 30 Apr 05	19.850
	<u>129,000</u>			
Li Shi Yuen, Joseph	<u>20,000</u>	30 Apr 2002	30 Apr 02 — 30 Apr 05	19.850
Chui Kam Wai	<u>10,000</u>	30 Apr 2002	30 Apr 02 — 30 Apr 05	19.850
Seitaro Furukawa	<u>10,000</u>	30 Apr 2002	30 Apr 02 — 30 Apr 05	19.850

Substantial Shareholders' Interests in the Share Capital of the Company

As at 30 June 2002, the following interest of 10% or more in the issued share capital of the Company was recorded in the register of interest required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:—

Name	Number of ordinary shares held	Number of preference shares held
NTEI ¹	128,516,688	598,420,000

Save as disclosed above, no person had registered an interest in the share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance as at 30 June 2002.

Note:

- NTEI holds 598,420,000 preference shares of the Company. Such preference shares of the Company are convertible into ordinary shares of the Company at the conversion ratio of 1.03 preference shares to 1 ordinary share provided that no holder of preference shares shall be entitled to exercise the conversion rights if as a result, the minimum prescribed percentage of ordinary shares in "public hands" as prescribed in the Listing Rules is not satisfied.

Purchase, Sale or Redemption of Shares

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

Share Options

In April 2002, a share option scheme ("the Scheme") was approved, under which the directors may, at their discretion, invite full time employees including executive directors of the Company to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein.

As at 30 June 2002, the Company has not granted any options under the Scheme.

Compliance with the Code of Best Practice of the Listing Rules

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not or was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, at any time during the six months ended 30 June 2002, save and except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the 6 months ended 30 June 2002 with the directors.

Change of Auditors

The Directors have resolved on 26 July 2002 to appoint Messrs. HLB Hodgson Impey Cheng as auditors of the Company in place of Messrs. Deloitte Touche Tohmatsu with effect from 2 July 2002 to hold office until the conclusion of the next Annual General Meeting.

By Order of the Board of Directors
Wah Wang Kei, Jackie
Company Secretary

Hong Kong, 26 July 2002