



2003

I N T E R I M R E P O R T

## UNAUDITED INTERIM RESULTS

The board of directors ("the Board") of J.I.C. Technology Company Limited ("the Company") is pleased to announce the unaudited condensed consolidated results of the Company for the six months ended 30 June 2003.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2003

		Six months ended 30 June	
	Notes	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)
Turnover	2	171,791	111,761
Cost of sales		<u>(151,159)</u>	<u>(91,166)</u>
Gross profit		20,632	20,595
Other revenue		654	2,470
Selling and distribution costs		(1,580)	(1,192)
General and administrative expenses		(13,669)	(9,534)
Research and development expenses		<u>(2,023)</u>	<u>(1,777)</u>
Profit from operations	3	4,014	10,562
Finance costs	4	(486)	(103)
Profits on disposal of discontinued operation	5	<u>17,620</u>	<u>—</u>
Profit before taxation		21,148	10,459
Income tax expense	6	<u>42</u>	<u>(104)</u>
Profit for the period		<u>21,190</u>	<u>10,355</u>
Dividends	7	<u>15,619</u>	<u>7,810</u>
Earnings per share	8		
Basic		<u>5.05 cents</u>	<u>2.39 cents</u>
Diluted		<u>2.78 cents</u>	<u>1.36 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2003

	Notes	At 30 June 2003 HK\$'000 (unaudited)	At 31 December 2002 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	101,856	112,857
Long term investment		3,000	—
Club membership		381	381
		<u>105,237</u>	<u>113,238</u>
<b>Current assets</b>			
Inventories		17,263	28,173
Trade and other receivables	10	78,259	66,129
Amounts due from fellow subsidiaries		1,065	430
Tax recoverable		1,673	707
Bank balances and cash		27,640	13,343
		<u>125,900</u>	<u>108,782</u>
<b>Current liabilities</b>			
Trade and other payables	11	53,538	64,664
Amount due to a fellow subsidiary		2,040	—
Provision for taxation		1,400	1,247
Bank borrowings — due within one year	12	17,458	16,010
		<u>74,436</u>	<u>81,921</u>
<b>Net current assets</b>		<u>51,464</u>	<u>26,861</u>
<b>Total assets less current liabilities</b>		<u>156,701</u>	<u>140,099</u>
<b>Non-current liabilities</b>			
Bank borrowings - due after one year	12	17,550	21,938
Deferred taxation		130	330
		<u>17,680</u>	<u>22,268</u>
		<u>139,021</u>	<u>117,831</u>
<b>Capital and reserves</b>			
Share capital	13	7,810	7,810
Reserves		131,211	110,021
		<u>139,021</u>	<u>117,831</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	Six months ended	
	30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash from operating activities	4,550	53,670
Net cash from/(used in) investing activities	13,170	(83,458)
Net cash (used in)/from financing activities	<u>(3,423)</u>	<u>34,997</u>
Net increase in cash and cash equivalents	14,297	5,209
Cash and cash equivalents at beginning of the period	<u>13,343</u>	<u>12,666</u>
Cash and cash equivalents at end of the period	<u><u>27,640</u></u>	<u><u>17,875</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u><u>27,640</u></u>	<u><u>17,875</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Share Capital			Reserves					Total share- holders' equity HK\$'000
	Ordinary shares HK\$'000	Preference shares HK\$'000	Total paid-up share capital HK\$'000	Goodwill reserve HK\$'000	Special reserve HK\$'000 (Note i)	Retained profits HK\$'000	Proposed dividends HK\$'000	Total reserves HK\$'000	
At 1 January 2003	1,826	5,984	7,810	(8,351)	(6,774)	125,146	—	110,021	117,831
Net profit for the period	—	—	—	—	—	21,190	—	21,190	21,190
Proposed interim dividends (Note 7)	—	—	—	—	—	(15,619)	15,619	—	—
At 30 June 2003	<u>1,826</u>	<u>5,984</u>	<u>7,810</u>	<u>(8,351)</u>	<u>(6,774)</u>	<u>130,717</u>	<u>15,619</u>	<u>131,211</u>	<u>139,021</u>
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 7)	—	—	—	—	—	(7,810)	7,810	—	—
At 30 June 2002	<u>1,826</u>	<u>5,984</u>	<u>7,810</u>	<u>(8,351)</u>	<u>(6,774)</u>	<u>124,206</u>	<u>7,810</u>	<u>116,891</u>	<u>124,701</u>

*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 (Far East) Company Limited (“Albatronics”) and its then shareholders relating to the restructuring 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 restructuring 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 Electronics, Inc. (“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 restructuring proposal, the Company allotted and issued 7,810,000 ordinary shares, credited as fully paid-up, to Yu Ming or its nominee.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2003*

### 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, the Company, 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 consolidated 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 consolidated interim financial statements are consistent with those adopted in the latest annual report of the Group for the year of 2002, except that the Group has changed its accounting policy following its adoption of the following SSAP issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The change to the Group's accounting policy and the effect of adopting this new policy is set out below:

*SSAP 12 (Revised): Accounting for Income Taxes*

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of SSAP 12 (Revised) has not resulted in any significant changes to the prior years' net assets and results and accordingly, no prior year adjustment is required.

## 2. SEGMENT 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)**

	<b>Discontinued operations:</b> <i>(Note 5)</i>	<b>Continuing operations:</b>	
	<b>Transformer</b>	<b>Liquid crystal displays</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the six months ended 30 June 2003</b>			
Revenue	<u>51,943</u>	<u>119,848</u>	<u>171,791</u>
Contribution to profit from operations	<u>275</u>	<u>3,739</u>	<u>4,014</u>
<b>For the six months ended 30 June 2002</b>			
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>



By geographical market (unaudited)

	Hong Kong <i>HK\$'000</i>	The PRC, other than Hong Kong <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months ended 30 June 2003</b>					
Revenue	<u>50,943</u>	<u>102,155</u>	<u>14,965</u>	<u>3,728</u>	<u>171,791</u>
Contribution to profit from operations	<u>1,228</u>	<u>2,611</u>	<u>97</u>	<u>78</u>	<u>4,014</u>
<b>For the six months ended 30 June 2002</b>					
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>

**3. PROFIT FROM OPERATIONS**

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

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b><i>(unaudited)</i></b>	<i>(unaudited)</i>
Depreciation on property, plant and equipment	<b>10,070</b>	4,608
Reversal of provision for inventory obsolescence	<b>(1,660)</b>	(2,257)
Loss on disposal of property, plant and equipment	<b>11</b>	280

#### 4. FINANCE COSTS

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	<u>486</u>	<u>103</u>

#### 5. DISCONTINUED OPERATIONS

During the year, the Group decided to dispose of its transformer operations, in order to dedicate more resources and focus on its higher margin LCD business activities. The effective date of discontinuance for accounting purpose was 28 June, 2003. Details of the disposal are set out in the Company's announcement dated 2 July, 2003.

A profit of approximately HK\$17,620,000 arose on the disposal of the relevant subsidiary, Jieyao Electronics (Shenzhen) Co., Limited, being the proceeds of disposal less the carrying amount of the subsidiary's net assets.

The results of the transformer operations for the period from 1 January, 2003 to 30 June, 2003, which have been included in the condensed consolidated financial statements, were as follows:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover	51,943	37,319
Other revenue	591	243
Operating expenses	<u>(52,259)</u>	<u>(35,537)</u>
Profit before taxation	275	2,025
Income tax expense	<u>42</u>	<u>(104)</u>
Profit after taxation	<u>317</u>	<u>1,921</u>

The subsidiary disposed of during the period did not have any significant impact on the Group's cash flow.

## 6. INCOME TAX EXPENSE

Six months ended 30 June	
2003	2002
<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(unaudited)</i>	<i>(unaudited)</i>

The credit/(charge) comprises:

Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the period

— current period	(200)	—
— overprovision in prior periods	70	—
Income tax calculated at the rates prevailing in the PRC for the period	(28)	(104)
Deferred taxation	<u>200</u>	<u>—</u>
	<u>42</u>	<u>(104)</u>

Provision of Hong Kong profits tax has been made at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period.

According to the income tax law of the PRC, the 100% owned subsidiary manufacturing company which was qualified as an “high-tech” company status and operates in the Shenzhen special economic zone is subject to a 7.5% state income tax in year 2003.

## 7. DIVIDENDS

Six months ended 30 June	
2003	2002
<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(unaudited)</i>	<i>(unaudited)</i>

Proposed interim dividends

— HK\$0.02 per ordinary share (2002: HK\$0.01 per ordinary share)	3,651	1,826
— HK\$0.02 per preference share (2002: HK\$0.01 per preference share)	<u>11,968</u>	<u>5,984</u>
	<u>15,619</u>	<u>7,810</u>

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the six months ended 30 June 2003 of HK\$21,190,000 (2002: HK\$10,355,000) less interim preference dividends of HK\$11,968,000 (2002: HK\$5,984,000) 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 2002.

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.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2003, the Group acquired property, plant and equipment at a cost of approximately HK\$2,525,000 (year ended 31 December 2002: HK\$97,681,000). During the same period, the Group disposed of certain of its property, plant and equipment with an aggregate carrying value of approximately HK\$3,456,000 (year ended 31 December 2002: HK\$378,000). The disposal includes the carrying value of assets of HK\$3,384,000 of transformer segment which has been sold on 28 June 2003.

## 10. 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 balance sheet dates:

	<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
Trade receivables:		
0 — 30 days	<b>70,368</b>	51,594
31 — 60 days	<b>2,567</b>	7,839
61 — 90 days	<b>917</b>	2,998
Over 90 days	<b>1,021</b>	6
	<b>74,873</b>	62,437
Other receivables	<b>3,386</b>	3,692
	<b>78,259</b>	66,129

## 11. TRADE AND OTHER PAYABLES

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

	<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
Trade payables:		
0 — 30 days	43,641	42,525
31 — 60 days	250	7,790
61 — 90 days	45	3,874
Over 90 days	47	557
	<u>43,983</u>	54,746
Other payables	9,555	9,918
	<u>53,538</u>	<u>64,664</u>

## 12. BANK BORROWINGS

	<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
Bank borrowings comprise of:		
Bank loans	26,325	30,713
Trust receipt loans	8,683	7,235
	<u>35,008</u>	<u>37,948</u>
<i>The bank borrowings are repayable as follows:</i>		
Within one year or on demand	17,458	16,010
After one year and within two years	8,775	8,775
After two years and within five years	8,775	13,163
	<u>35,008</u>	37,948
Less: Amount due within one year shown under current liabilities	<u>(17,458)</u>	<u>(16,010)</u>
Amount due after one year shown under non-current liabilities	<u>17,550</u>	<u>21,938</u>

### 13. SHARE CAPITAL

**30 June 2003  
& 31 December 2002**  
*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

### 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:

	<b>30 June 2003</b> <i>(unaudited)</i> <i>HK\$'000</i>	31 December 2002 <i>(audited)</i> <i>HK\$'000</i>
Within one year	8,230	7,446
In the second to fifth year inclusive	11,582	20,999
Over five years	—	3,025
	19,812	31,470

### 15. CAPITAL COMMITMENTS

	<b>30 June 2003</b> <i>(unaudited)</i> <i>HK\$'000</i>	31 December 2002 <i>(audited)</i> <i>HK\$'000</i>
Capital expenditures in connection with the acquisition of property, plant and equipment contracted for but not provided in the financial statements	85	668
Authorised but not contracted for in respect of acquisition of property, plant and equipment	—	350
	85	1,018

## 16. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transactions	Six months ended 30 June	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
<i>Companies in which directors of the Company have beneficial interests:</i>			
Nam Tai and its subsidiaries:			
Namtai Electronic (Shenzhen) Co. Ltd	Sale of goods by the Group (Note i)	2,920	—
	Balance due to the Group (Note ii)	1,018	—
Zastron Electronic (Shenzhen) Co. Ltd	Sale of goods and materials by the Group (Note i)	5,656	—
	Purchase of goods by the Group (Note i)	5,782	—
	Balance due to the Group (Note ii)	47	—
	Balance due (by) the Group (Note ii)	(2,040)	—
Nam Tai Group Management Limited	Service fees paid by the Group (Note iii)	2,640	440

### Notes:

- i. The transactions were carried out at terms determined and agreed by both parties.
- ii. The amounts are unsecured, non-interest bearing and repayable on demand.

- iii. The Group has entered into a business facilities agreement with Nam Tai Group Management Limited, under 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.

## **INTERIM DIVIDEND**

The Directors have resolved to declare an interim dividend of HK\$0.02 per share. The interim dividend will be payable on or before 29 August, 2003 to shareholders whose names appear on the Register of Members of the Company at the close of business on 15 August 2003.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 13 August 2003 to 15 August 2003 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, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 12 August 2003.

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **Business Review**

Turnover for the six months ended 30 June 2003 was up by approximately 54% to HK\$171.8 million from HK\$111.8 million for the first six months of 2002. Gross profit for the first six months of 2003 was HK\$20.6 million, the same as the gross profit of HK\$20.6 million for the first six months of 2002. Profit from operations for the first six months of 2003 was HK\$4.0 million, a decrease of approximately 62% compared to profit from operations of HK\$10.6 million for the first six months of 2002. Net profit for



the first six months in 2003 was HK\$21.2 million, an increase of approximately 105% compared to net profit of HK\$10.4 million for the first six months of 2002. Basic and diluted earnings per share for the first six months of 2003 were 5.05 HK cents and 2.78 HK cents compared to earnings per share of 2.39 HK cents and 1.36 HK cents respectively for the first six months of 2002.

Before the disposal of its transformer business, the principal businesses of the Company were the manufacturing of LCD panels and transformers. As the future growth potential and prospect from LCD panels are better than those from transformers, it was always the intention of the Company to gradually fade out its business on transformers.

In June 2003, the Company was approached by an independent third party on the intended acquisition of its entire transformer business by that third party. The Company considered it as a good opportunity to realize a gain on the sale of its entire transformer business so that the Group can focus on the LCD panels business. The Company therefore sold its transformer business to that independent third party at the consideration of HK\$33.75 million and realized a gain of HK\$17.62 million.

The turnover of the Company on the business of manufacturing of LCD panels increased by approximately 61% from approximately HK\$74,441,867 (for the 6 months ended 30 June, 2002) to approximately HK\$119,847,354. The profit from operations thereof decreased by approximately 56% from approximately HK\$8.54 million (for the 6 months ended 30 June, 2003) to approximately HK\$3.74 million. The decrease in such profit from operations is caused by the increase in costs of sales and general and administrative expenses. The cost of sales increased because the Company started booking the depreciation in relation to the new super twisted nematic ("STN") LCD panels production line in July, 2002. The Company also commenced paying a business facilities fee of HK\$440,000 per month to its controlling shareholder, Nam Tai Electronics, Inc. ("NTEI") since June 2002.

### **Liquidity and Financial Resources**

The Company continues to maintain a strong financial position during the interim period of 2003, with 15.1 HK cents of cash per share and 76.2 HK cents of net book value per share based on 182,544,465 issued ordinary shares. The Company as at 30 June 2003,

had a cash to current liabilities ratio of 0.37, a current ratio of 1.70, a total assets to total liabilities ratio of 2.51, and approximately HK\$27.6 million of bank balances and cash.

The Company and its subsidiaries did not have any material exposure to fluctuations in exchange rates.

### **Contingent Liabilities**

As at 30 June 2003, the Company has provided guarantees to banks in respect of banking facilities granted to subsidiaries amounting to approximately HK\$70.1 million (31 December 2002: HK\$70.1 million) of which approximately HK\$35.0 million (31 December 2002: HK\$37.9 million) has been utilised.

### **Staff and Employment**

As at 30 June 2003, the Company employed a total of 1,813 employees.

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 retirement benefits schemes. 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**

After the disposal of its transformer business, the Company will focus on its LCD panels business, which has a higher profit margin, and will dedicate more resources therefor.

The Company is in negotiation with a landlord in the PRC on the intended leasing of a factory premises under construction for the purpose of expanding its manufacturing capacities. If the negotiation is successful, the additional production facilities will commence operation in the fourth quarter of 2004 after completion of construction and installation of equipment.

The Company has been advised by NTEI that NTEI may not be able to allocate sufficient capacity to the Company for the Company's COG (chip on glass) business because of strong demand from NTEI's customers. The Company sees a steady growth on its COG business and intends to set up its own COG production line to produce COG products by its own. NTEI has indicated it will transfer the relevant technology to assist the Company to set up its own COG line. Pending the setting up of this new COG line, NTEI has agreed to continue to support the Company on its COG business.

The Company is undergoing a transition from TN LCD products to higher end LCD products. The Company expects the profit margin will improve after the successful transition. Besides monochrome STN products, the Company has started to produce samples for customers on colour STN products for cellular phones and personal digital assistants.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 30 June 2003, the directors or their associates have the following interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("Model Code"):

### **The Company**

As at 30 June 2003, 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	1,992,465	—	—	195,000 <sup>3</sup>	2,187,465
	Koo Ming Kown	6,648,393 <sup>2</sup>	—	—	237,000 <sup>3</sup>	6,885,393
	Li Shi Yuen, Joseph <sup>1</sup>	11,700	—	3,168,261	60,000 <sup>3</sup>	3,239,961
	Chui Kam Wai <sup>1</sup>	11,700	—	3,168,261	30,000 <sup>3</sup>	3,209,961
	Seitaro Furukawa	—	—	—	30,000 <sup>3</sup>	30,000

### Note:

- 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 3,168,261 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 SFO.
- 4,690,485 common shares of USD0.01 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 2003, the directors who held options of NTEI are as follows:—

#### STOCK OPTION

Name of Director	No. of share options	Date granted	Period during which rights exercisable	Exercise price US\$
Tadao Murakami	120,000	16 Mar 2001	16 Mar 2001 — 16 Mar 2004	4.647
	<u>75,000</u>	30 Apr 2002	30 Apr 2002 — 30 Apr 2005	6.617
	<u>195,000</u>			
Koo Ming Kown	120,000	22 June 2001	22 Jun 2001 — 22 Jun 2004	4.834
	<u>117,000</u>	30 Apr 2002	30 Apr 2002 — 30 Apr 2005	6.617
	<u>237,000</u>			
Li Shi Yuen, Joseph	<u>60,000</u>	30 Apr 2002	30 Apr 2002 — 30 Apr 2005	6.617
Chui Kam Wai	<u>30,000</u>	30 Apr 2002	30 Apr 2002 — 30 Apr 2005	6.617
Seitaro Furukawa	<u>30,000</u>	30 Apr 2002	30 Apr 2002 — 30 Apr 2005	6.617

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein, none of the directors or their associates held any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2003, the following company (other than a director of the Company) who has interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Number of preference shares held</b>
NTEI <sup>1</sup>	127,500,688	598,420,000

*Note:*

1. 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.

All the interests disclosed under this Section represent long position in the shares of the Company.

Save as disclosed herein, no other person (other than a director of the Company) has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **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 2003, 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, throughout the period ended 30 June 2003, save and except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation 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 six months ended 30 June 2003 with the directors.

By order of the Board  
**Wah Wang Kei, Jackie**  
*Company Secretary*

Hong Kong, 25 July 2003