

## Chairman's Statement

I am very pleased to report to our shareholders that the Group has again broken a new record in turnover for the six months ended 30 June 2003. Consolidated turnover for the period amounted to HK\$492 million and was significantly increased by 38% compared to the corresponding period (HK\$356 million) last year. Profit before taxation was up by 51% reaching HK\$79.2 million (2002: HK\$52.5 million). Due to the adoption of a revised Statement of Standard Accounting Practice in respect to the deferred taxation during the reporting period, the increment in profit attributable to shareholders was about 27%, on a relatively lower magnitude.

Liquid Crystal Display and Module ("LCD/LCM" respectively) products together comprised 88% of the Group's business. Tremendous growth in this core business was recorded not only in the first quarter of the year, but also extended to the second quarter when the Group commenced to deliver its Colour Supertwisted Nematic ("CSTN") LCD products to the customers, to their great satisfaction. Based on the positive feedbacks and continuous sales orders from these customers, we are fully confident of making an optimistic projection for the second half of the year in both turnover and profitability growth. Besides achieving remarkable growth in sales and earnings, we are also proud of successfully maintaining an excellent gross profit margin, and enhancing the operating profit margin during the period.

In mid-July, the Group obtained license from Eastman Kodak Company ("Kodak") to use its award-winning organic light-emitting diode ("OLED") technology. I am very excited to announce that we are one of the very few Hong Kong-based companies within Kodak's list of licensees. As of today, we are the first and the only one in China to have commenced this OLED production facility in our advanced factory. These organic solid-state displays offer bright, full-motion image display, and are viewable from very wide angles, making them ideal for image-rich mobile communications that underpin the info-imaging market. We believe this new operation will become one of our main growth drivers and benefit our LCD business in 2005 and thereafter.

Except for pagers, the performance of other electronic consumer products have been improving since the beginning of the year. Within the division, the sales of the Group's MP3 players were particularly outstanding and are expected to have big increases throughout the full year period. As a whole, I have every confidence in making this division profitable in 2003, and in the foreseeable future.