

Management Discussion and Analysis

RESULTS

The Group's turnover for the six months ended 30 June 2003 amounted to HK\$492 million (2002: HK\$356 million). Profit for the period was HK\$58.4 million (2002: HK\$45.9 million).

SEGMENTAL INFORMATION

	Six months ended 30 June 2003		Six months ended 30 June 2002	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
By geographical segments:				
The People's Republic of China	147,543	24,742	89,093	12,968
Europe	31,445	5,282	36,599	5,638
Hong Kong	99,767	16,787	46,291	7,922
Japan	75,932	12,789	55,650	9,656
South Korea	61,510	10,326	75,706	13,163
Others (Note)	75,904	12,723	52,980	7,477
	492,101	82,649	356,319	56,824
Interest income from bank deposits		580		495
Unallocated corporate expenses		(424)		(312)
Profit from operations		82,805		57,007
By business segments:				
Liquid crystal display products	433,356	73,029	306,973	53,373
Electronic consumer products	58,745	9,620	49,346	3,451
	492,101	82,649	356,319	56,824
Interest income from bank deposits		580		495
Unallocated corporate expenses		(424)		(312)
Profit from operations		82,805		57,007

Note: This category includes sales to countries in North and South Americas, Australia, the Middle East, Africa, the Commonwealth of Independent States and other Asian countries.

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BUSINESS REVIEW AND OUTLOOK

LCD sales for the period totalled HK\$433 million, and comprised 88% of the Group's turnover. The huge growth in this division was a result of our accurate targeting in providing a total display solution to customers. We were able to change the purchasing habits of the customers, from in the past only buying display panels from TRULY, to now heavily relying on our One-Stop-Shopping service. LCM sales have gradually become our major growth momentum, especially in Colour Displays. With the commencement of assembling Thin-Film Transistor ("TFT") Display Modules in the third quarter and the later OLED trial production orders, we will be capable of serving our customers' every need in all major aspects. Consequently, we trust 2003 will be another record breaking year in our history.

The high economic growth in mainland China over the past few years has created tremendous spending power in the region. Mobile telecommunications are in fact encouraged by the Chinese Government. Therefore, during this rapid development period, people are more eager to spend money on trendy consumer products especially those with an attractive appearance. According to reliable market research, handsets with large and colourful displays will occupy the majority of the mobile telecommunication device in the next five to ten year period. Our excellent position as one of the dominant players in this display segment would serve to guarantee our continuous and significant business growth in this market in 2004 and thereafter.

By the end of August this year, when the installation of the pilot run production facilities for the OLED project is finished, we will carry out more extensive product development, within a relatively short period of time, on full colour OLED displays. Our existing customers have shown interest in this new display technology and orders for small size OLED displays in monochrome and area colour type have been received. Furthermore, we would anticipate some bulk orders for these categories from 2004, in particular for cell phone application, and therefore would expect some further contributions to the overall turnover.

LIQUIDITY AND FINANCIAL RESOURCES

There were no material changes in the assets and liabilities of the Group as at 30 June 2003 compared to the last financial year end at 31 December 2002. The current ratio was maintained at a comfortable level of around 1.83 while the gearing ratio based on bank and other borrowings, net of cash and bank balances was approximately 12%.

The total bank and other borrowings, net of cash and bank balances of HK\$133 million were about HK\$111 million. Among the total gross borrowings of HK\$244 million, HK\$166 million were repayable within a year with the remaining balances repayable within a period of two to three years. At 30 June 2003, the Group had no pledge or mortgage on its fixed assets.

Capital expenditure of HK\$450 million for the next three years in respect of acquisition of property, plant and equipment was authorized but not contracted for. Their expected sources of funding will be principally from internal reserves.

GENERAL

There was no change to the capital structure of the Group during the six months ended 30 June 2003.

The state of the Group's current order books is excellent.

Except for investments in subsidiaries and an associate, neither the Group nor the Company had held any material investments during the six months ended 30 June 2003.

There were no material acquisitions and disposals of subsidiaries and associated companies in the course of the financial period.

There are around 3,000 workers and employees currently employed in the Group's Shan Wei factory and around 60 staff in our Hong Kong office.

Other than trade bills discounted to banks in the ordinary course of business, the Group had no material contingent liabilities. Exposure to fluctuations in exchange rates was minor and properly hedged.