

LIQUIDITY AND FINANCIAL RESOURCES

The Group was able to maintain its financial liquidity as a total of HK\$409 million cash was generated from operations internally in the current financial year.

CAPITAL STRUCTURE AND TREASURY POLICY

The Group continues to maintain an optimal mix of equity and debt in the capital structure. The gearing ratio, based on the total bank borrowings to shareholders' equity, decreased from 1.27 to 1.01 as a result of the repayment and net reduction of bank borrowings.

The Group's long term bank borrowings are primarily denominated in the US and Hong Kong dollars, unsecured, at commercial floating interest rates and repayable by installments in one to four years term. The Group arranged an US dollar average SIBOR interest rate swap contract to hedge interest rate volatility for one of the long term bank loans during the financial year.

INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS IN SUBSIDIARIES

The equity interest in EEICL decreased slightly from 52.15% to 51.80% due to the dilutive effect of exercise of EEICL's share options by EEICL employees. Loss on deemed disposal amounting to HK\$2.8 million was charged to the consolidated profit and loss account for the current financial year.

SEGMENT INFORMATION

Both the turnover of LCD and Magnetic Products Businesses have increased. The PCB Business has increased percentage of sales to Asian-Pacific Region which becomes more important as the manufacturing centre for the electronic products. Only the post-acquisition turnover and results of PCB Business was consolidated into the Group's financial statements after the Company acquired the controlling interest in the last financial year. Details of the acquisition was explained in the Chairman's letter.

The profit and loss account of the PCB Business for the years ended 30 June 2002 and 2001 is as follow:

	2002 HK\$'000	2001 HK\$'000
REVENUE		
External sales	1,904,242	2,653,444
RESULTS		
Profit before interest income	220,775	483,191
Interest income	972	3,297
Profit from operating activities	221,747	486,488
Finance cost	(1,211)	(18,487)
Profit before tax	220,536	468,001

Reconciliation of profit and loss account of the PCB Business to the segment information for the year ended 30 June 2001:

	1 July 2000 to 14 June 2001 HK\$'000	15 June 2001 to 30 June 2001 HK\$'000	1 July 2000 to 30 June 2001 HK\$'000
Consolidated			
REVENUE			
External sales	—	116,315	116,315
RESULTS			
Profit before interest income	—	21,181	21,181
Interest income	—	145	145
Profit from operating activities	—	21,326	21,326
Finance cost	—	(810)	(810)
Profit before tax	—	20,516	20,516
Equity accounted			
Profit before tax attributable to the Group	195,338	—	195,338
Less: Consolidation adjustments	(9,141)	—	(9,141)
Share of profits of associates before tax	186,197	—	186,197
Total profit before tax attributable from the PCB Business	186,197	20,516	206,713

NUMBER & REMUNERATION OF EMPLOYEES

At 30 June 2002, the Group had approximately 8,700 employees worldwide. The reduction in number of employees was mainly due to the reduction of 804 head counts from the consolidation of LCD plants and the layoff of 511 PCB head counts. There was no change in the Group's employee remuneration policy, which continued to be structured by reference to the market terms and industry practice. Other staff benefits such as option and incentive schemes, bonus and insurance policies also remained the same.

CHANGES IN GROUP'S ASSETS

Total shareholders' equity increased from HK\$650.0 million to HK\$676.4 million. Compared with the last financial year, current ratio increased slightly from 1.32 to 1.49, quick ratio increased from 0.98 to 1.15 and gross profits margin increased from 17.0% to 22.7% due to tighter cost control measures by internal restructuring and streamlining of processes.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The Group's trade receivables are mainly invoiced in Hong Kong and US dollars and have no significant exposure to foreign exchange fluctuations. The only potential exchange risk exposure is the settlement of trade creditors payable in Japanese Yen by the Group's LCD Business and is hedged by three-months foreign exchange forward contracts.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at the balance sheet date.