

## Chairman's Letter



**Mr. David So Cheung Sing**

*Chairman*

### RESULTS

The Group recorded continued growth in turnover in its principal businesses — Printed Circuit Boards (“PCBs”), Liquid Crystal Displays (“LCDs”) and Magnetic Products — in the six months ended 31 December 2000 (the “Period”). The aggregate turnover of the LCD and Magnetic Products Businesses grew by 42.5% to HK\$150.2 million for the Period set against HK\$105.4 million for the six months ended 31 December 1999 (the “Previous Period”). This growth was mainly due to the increase in the output of higher-end product, change in product mix and our product qualification by our multinational customers, accompanied by improvements in production capacities and capabilities.

The pre-tax operating profit of the PCB Business for the Period increased by HK\$115.1 million or 69.4% to HK\$280.9 million over the Previous Period. Turnover rose 42.4% to HK\$1,477.4 million, while the net profit reached HK\$234.8 million, an increase of 56.4% over the Previous Period. As the PCB Business is equity accounted for in the Group's results, PCB's turnover is not presented in the condensed consolidated profit and loss of the Group.

The net profit from ordinary activities attributable to the shareholders for the Period was HK\$85.5 million, an increase of 55.7% or HK\$30.6 million from HK\$54.9 million in the Previous Period. Share of profits of associates, arising mainly from the Company's investment in the PCB Business, was HK\$112.6 million for the Period compared to HK\$66.2 million for the Previous Period.

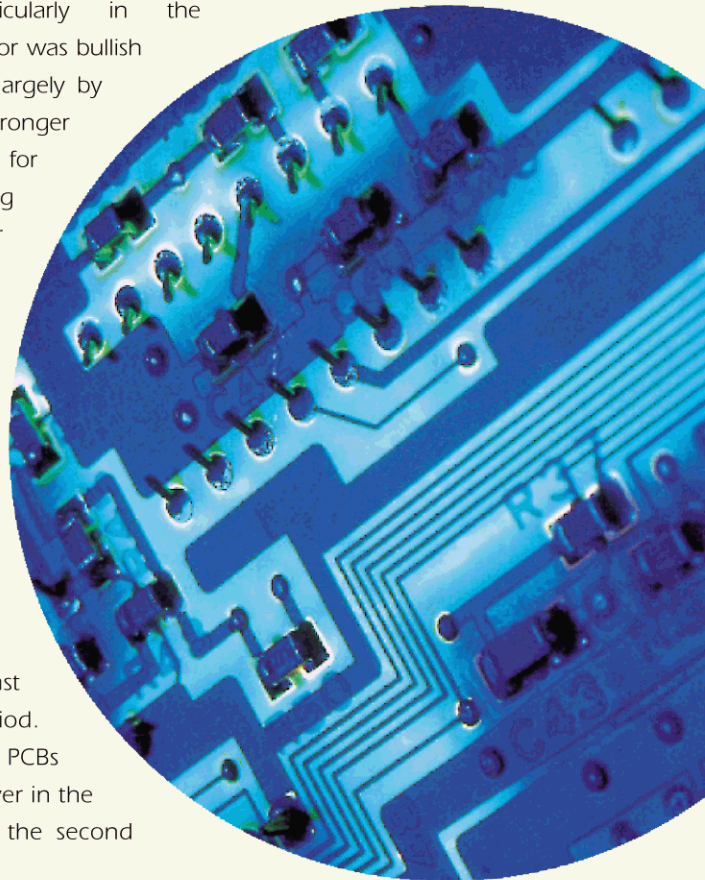
Basic earnings per share for the Period was 8.77 HK cents, representing an increase of 53.3% or 3.05 HK cents from the Previous Period mainly as a result of the overall improvements in the Group's operating performance.

### BUSINESS REVIEW

#### Printed Circuit Boards

The electronics industry particularly in the communication and networking sector was bullish for most of the year 2000, driven largely by new product technology, stronger economies and a high demand for networking hardware. These strong market conditions together with our successful efforts in developing and expanding our customer base, both in the high growth communication and networking sector and higher end computer sector, were the major contributory factors to the good results achieved in the Period.

Sales to the communication and networking sector increased from 37% in the second half of the last financial year to 47% for the Period. Shipments of 6-layer and above PCBs accounted for 49.2% of total turnover in the Period as compared with 30% in the second half of the last financial year.



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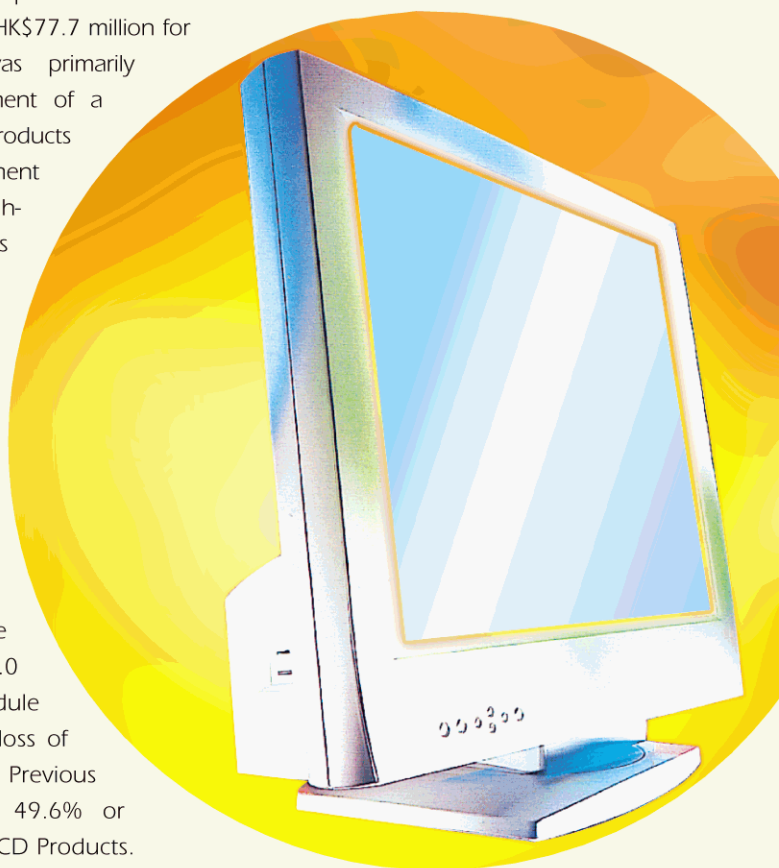
The strong demand also resulted in price increases for fiberglass and copper foil which have gone up by an average of 22% and 16% respectively during the Period. This has driven the average selling prices ("ASP") of PCBs upwards during the Period. Coupled with our better layer count mix, our overall ASP increased by 25.9% over the Previous Period and by 21.5% over the preceding half year.

The existing manufacturing facilities of the PCB Business have been operating at full capacity throughout the Period. The new Kaiping plant phase IV, which manufactures high value added and high layer count product categories, started commercial production in September 2000. As at 31 December 2000, the new Kaiping plant has reached approximately 40% of full production capacity.

### Liquid Crystal Displays

Turnover in the LCD Business soared to HK\$102.0 million for the Period, with HK\$98.0 million contributed by our LCD products and HK\$4.0 million by our newly developed COG/Module products. This increase in turnover – up 31.3% from HK\$77.7 million for the Previous Period – was primarily attributable to the development of a much wider range of LCD products following the commencement during the Period of the high-end manufacturing operations in Guangzhou. This allowed us to secure high-end product orders from multinational companies and expand our market share in the LCD industry.

The LCD Business recorded a loss of HK\$12.9 million for the Period, of which HK\$6.9 million was generated by the LCD products and HK\$6.0 million by the COG/Module products. Compared to the loss of HK\$13.7 million for the Previous Period, this represented a 49.6% or HK\$6.8 million drop for the LCD Products.



### **Magnetic Products**

Demand for magnetic components for broadband access and for the telecommunication and LAN sectors remained strong during the Period.

Turnover of Magnetic Products Business for the Period was HK\$48.2 million, up 73.4% from HK\$28.0 million in the Previous Period, as mainly contributed by our broadened customer base primarily in the U.S. market. Operating results have thus improved significantly with a turnaround from a HK\$3.0 million loss in the Previous Period to a profit of HK\$6.2 million in the period under review. This was achieved mainly through the increase in sales and improvements in the optimisation of the product mix.

Marketing activities in the Period focused on building up close co-operation with key multinational customers and IC manufacturers. Meanwhile, the global sales team was expanded and regional sales channels were strengthened through the appointment of additional sales representatives.

### **Information Technology**

The Information Technology ("IT") Business focused on developing the Logistics and Supply Chain Management ("SCM") Portal during the Period. It also completed the design of a Customer Relationship Management ("CRM") module for commercial applications on the Internet.

In August 2000, the IT Business entered into an agreement with the China National Electronics Components & Equipment Corporation to set up a joint venture "Beijing Yilanda Information Technology Limited" in Beijing to exploit business opportunities in mainland China. The incubation centre, "CUHK-Elec & Eltek Technology Center", also identified several highly promising and commercially viable software products for consideration for investment and development. The IT Business also took positive moves in other areas, setting up an effective sales and marketing force as well as forming alliances with major IT vendors to further develop the information technology business.

During the Period, the Group incurred a total cost of HK\$5.2 million for the start up of this new Business.