



## Management Discussion and Analysis

The Group's total shareholders' equity increased by HK\$47.6 million from HK\$800.1 million at 30 June 2000 to HK\$847.7 million as at 31 December 2000.

During the Period under review, interests in associates increased by HK\$45.0 million mainly as a result of the share of the profits of the associate, Elec & Eltek International Company Limited which is engaged in the manufacture and distribution of printed circuit boards.

Inventories increased by HK\$15.7 million for the Period due to the increase in production activities of the Group resulting from higher turnover for the liquid crystal display and magnetic products businesses.

Increase in total bank borrowings of HK\$80.1 million during the Period was due to increase in working capital requirements including the HK\$15.7 million increase in inventory level. The HK\$44.7 million increase in dividends receivable from the associate and the increase in cash balances of HK\$16.5 million also contributed to the increase in total bank borrowings.

### LIQUIDITY AND FINANCIAL RESOURCES

The current ratio was 1.30 and the quick ratio was 1.05 at the end of the Period. The Group's financial flexibility remained healthy. At 31 December 2000, there were a HK\$89.3 million cash dividends receivable from an associate, sufficient unused lines of credit available from financial institution, and the availability of HK\$64.2 million of high rated bonds with high market liquidity.

### EMPLOYEE

At 31 December 2000, the total number of employees in the Group and its associates increased to 9,900.

The remuneration policies of the Group and its associates are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees while at the same time to attract potential employees. Remuneration packages are structured in a way that to take into account local practices under various geographical locations in which the Group and its associates operate and this includes basic salary, allowances, retirement schemes, service bonus, fixed bonus, performance related payments and share options where appropriate.



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### **FUTURE PLANS FOR MATERIAL INVESTMENTS**

Total capital commitments in respect of investing activities at 31 December 2000 amounted to HK\$160.5 million, of which about HK\$83.8 million related to a Guangzhou development project, which management has the intention to terminate, subject to the conclusion of negotiations to end the co-operative agreement. The other commitments are mainly for investments in the new information technology business which will be financed by internally generated funds.

### **GEARING RATIO**

The ratio of total bank borrowings to total equity was 0.22 at the end of the Period. Short term bank borrowings in the form of overdrafts, trust receipt and export loans are denominated in Hong Kong dollars, Japanese Yen and United States dollars. At the end of the Period, total bank borrowings were HK\$186.6 million which were used to finance operating activities as discussed above.