

BUSINESS REVIEW AND PROSPECTS

Operation review

The Group achieved an impressive increase in turnover of 34% to HK\$555,345,416 (2000: HK\$413,412,344) for the year ended 31st March 2001 whereas the profit before taxation increased to HK\$11,136,630 (2000: HK\$7,571,978) representing a favourable improvement of 47% compared to the last corresponding period.

The improvement both on turnover and on profit was due to the good development of printed circuit boards business in the year. Printed circuit boards which account for 77% of the total turnover increased from an average of HK\$21 million per month in last corresponding year to HK\$35 million per month in current year. The major markets include America, South East Asia, Europe and Hong Kong which account for 26%, 13%, 30% and 31% of the total sales respectively.

The electronics business and trading of semiconductors which account for 20% and 3% of the total turnover recorded losses this year as a result of the poor electronic market situations.

Prospects

The completion date of the additional production plant and hence expansion of production capacity of printed circuit products will be deferred. However, our production is still keeping steady paces. In view of the global slow down in the economy, the directors will continue to adopt the prudent strategy in business development in order to improve its result in the coming year.

Number and remuneration of employees, remuneration policies, bonus and share option schemes

As at 31st March 2001, approximately 2,893 staff and workers were employed in our Chang An Factory and Feng Gang Factory and 46 staff were employed in the Group's Hong Kong Office. Employees' costs, excluding directors' remuneration, amounted to HK\$45.9 million for the year ended 31st March 2001 (2000: HK\$44.5 million). Remuneration packages are generally structured with reference to the prevailing market practice and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis.

The Group maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide employees with an appropriate incentive interests in the growth of the Group.

Exposure to fluctuations in exchange rates and related hedges

The Group borrowings are primarily denominated in Hong Kong, US dollars and RMB. The Group has no significant exposure to foreign exchange fluctuations.

Liquidity and financial condition

At 31st March 2001, the total borrowings of the Group, including obligations under finance leases, amounted to HK\$93.5 million (2000 : HK\$46.8 million) which were payable in Hong Kong dollars and RMB. The Group's gearing ratio at 31st March 2001, which is calculated as the ratio of all bank borrowings and long term liabilities to shareholders' funds, was 42% (2000: 24%).

At 31st March 2001, the total banking facilities granted to the Group amounted to HK\$79.4 million (2000: HK\$56.3 million) of which HK\$50.3 million (2000: HK\$30.8 million) were utilised. These facilities are secured by:

- (a) corporate guarantee issued by the Company;
- (b) cross corporate guarantees issued by certain fellow subsidiaries;
- (c) a legal charge on the leasehold land and buildings with a net book value of HK\$35 million (2000: HK\$36 million).

Contingent liabilities

During the year, an investigation has been undertaken by the PRC customs authorities on a factory plant of a subsidiary in Dongguan in relation to a suspected under-declaration of customs duty by this factory. Up to 31st March 2001, amounts totalling HK\$2.3 million have been paid to the relevant authorities as a result of this investigation. The final result of this investigation is still unknown as at the date of approval of the accounts of the Company. The directors have not made any further provision in the consolidated accounts at this stage as in their opinion, there is unlikely to be any further liability arising from this investigation which would have a material effect on the group's financial position or results of operations.

On behalf of the Board

Yip Sum Yin

Director

Hong Kong, 23rd July 2001