

## *Chairman's Statement*

I have pleasure in presenting the Annual Report of the Company for the year ended 31 March 2001 (the "Year"). On behalf of the Company, I would also like to take this opportunity to extend our sincere thanks to all the Shareholders for their valuable support during the year.

### **FINAL DIVIDEND**

The Directors recommended the payment of a final dividend of HK1 cent per share for the Year (2000: Nil), payable to the shareholders whose names appear on the Register of Members of the Company on 23 August 2001. Subject to the approval of the Company's shareholders at the Company's forthcoming Annual General Meeting to be held on 23 August 2001, the said proposed final dividend will be paid to the shareholders of the Company on or about 10 October 2001.



*Mr. Lau Kwai  
Chairman*

### **BUSINESS REVIEW AND PROSPECTS**

The Group's consolidated turnover for the Year was HK\$272,192,000, represented an increase of 16.2% from last year. The net profit from operating activities attributable to shareholders increased to HK\$11,059,000 (2000: HK\$3,184,000), a sharp increase of 2.5 times from that of last year. During the first half of the Year, the market demand of the electronic products was huge and the pricing of the products stood at a high level. Though the global economy slowed down during the second half of the Year, the overall gross profit margin of the Group still grew from 20% to 24% and the basic earnings per share increased to HK2.97 cents during the Year.

It is the aim of the Group to maintain good management quality and implement the quality assurance system of the Group's subsidiary companies located in the PRC and Thailand. On top of the ISO 9002 quality certificates granted to the industrial laminate plant in Zhongshan and the printed circuit board plant in Dongguan in January 1999 and December 1997 respectively, the copper foil plant in Thailand was awarded the ISO 9002 quality certificate in May 2001. Moreover, the industrial laminate plant in Zhongshan is now preparing for upgrading the existing ISO 9002:1994 quality certificate to ISO 9001:2000 quality certificate, which is expected to be achieved by the end of this year.



*Mr. Lau Chung Yim, Patrick  
Managing Director*



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*The brushing machine, part of the pressing line, in Zhongshan*

### ***Industrial Laminate***

For the Year, turnover of the industrial laminate business increased by 26% to HK\$190,294,000, and the contribution to profit from operating activities increased significantly from HK\$10,105,000 to HK\$14,880,000.

During the first six months of the Year, the demand of industrial laminate was very substantial and the pricing of the products improved satisfactorily when compared with the corresponding period of previous year. However, in the second half of the Year, the downturn of the global economy has inevitably affected both the demand and pricing of the product. In order to maintain market competitiveness, the

Group continued to adopt prudent operating strategy, such as streamlining the business structure, tightening the control on operating costs and strengthening its credit risk management. As a result, the operating result of the industrial laminate division has achieved a reasonable growth when compared with that of last year.

Though the current economic situation is not stable, the Directors considered there are still good commercial opportunities in the PRC market. The construction of the Suzhou industrial laminate plant was started in late 2000 and is expected to complete by early 2002. The project will be financed by internally generated resources and additional banking facilities. After the completion of the project, the production capacity of industrial laminate will be increased substantially, and the Group is able to further expand both the PRC and overseas markets.

### ***Printed Circuit Board***



*The drilling machine in Dongguan*

For the Year, the printed circuit board business recorded a slight decrease of 2.6% from last year. The major reasons for the downturn of the sales value were the keen competition in the market and the devaluation of the European currencies.

To cope with the keen market competition, certain production lines and machineries have been acquired during the Year to enhance the production capacity and efficiency. Moreover, one of the major raw materials, namely industrial laminate was manufactured by one of the Group's subsidiary companies. Such vertical integration can also maintain the competitive edge of our printed circuit board plant in Dongguan.

### ***Copper Foil***

As a result of the expansion of the production facilities during the Year, the total production output of the copper foil division increased remarkably when compared with that of last year. After several years operations and technological update, the plant can now provide a constant supply of high quality copper foil for the production of laminates and multi-layer printed circuit boards of the Group. In order to strengthen the Group's profitability, the sales and marketing team of the copper foil plant continuously explores new markets in the Asian Pacific region. The sales of the copper foil to external parties and their contribution to the Group's profits increased by 11% and 56% respectively when comparing with that of last year.

The Directors continue to place emphasis on the research and development of the copper foil plant, so as to further reduce the production costs and further enhance the quality of this high technology product.

### ***Conclusion***

Due to the downturn of the global economy in late 2000, the pricing of the Group's products is inevitably affected in the short run. However, as the costs of the major raw materials can be reduced to a reasonable level, there should not be any significant adverse impact to the Group. As to internal operations, the Group has already undertaken a series of measures to lower the operation costs and increase its operational efficiency. The Directors believe that these policies are successful and the Group can overcome such difficult time.



*The special surface treatment of Copper Foil*

Looking forward, the Group will continue to research on and develop copper foil and multi-layer printed circuit board products which will be more competitive in the market. The Group will further explore the Asian Pacific and the PRC domestic market in order to expand its market share and customer base.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2001, the current ratio of the Group was approximately 1.37 and the net current assets were approximately HK\$36 million, which represented a substantial increase of 29% when comparing with the amount as at 31 March 2000.



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The Group continued to reduce the interest bearing borrowings from approximately HK\$71 million as at 31 March 2000 to approximately HK\$49 million as at 31 March 2001, which in turn reduced the finance costs. The Group's gearing ratio as at 31 March 2001 was 0.22 (as at 31 March 2000: 0.30), which was calculated based on the total interest-bearing borrowings and the shareholders' equity. With reference to the current operating capability of the Group, the Directors consider it is a comfortable borrowing level.

### **EMPLOYMENT, TRAINING AND REMUNERATION POLICY**

During the Year, the Group continued to adopt a prudent approach towards the size of workforce and commit to staff development and training programs. As at 31 March 2001, the size of our workforce was 940. The remuneration package of the Group's employees are approved by the Board of Directors, and the discretionary bonus are reviewed based on individual performance and the Group's operating results.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 17 August 2001 to Thursday, 23 August 2001 (both days inclusive), during which period no transfer of shares will be registered and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding share options granted by the Company. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 March 2001 and for attending the



*The impregnating machine in Zhongshan*

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Annual General Meeting to be held on Thursday, 23 August 2001, all share transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 4/F Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Thursday, 16 August 2001.

On behalf of the Board  
**Lau Kwai**  
*Chairman*

Hong Kong, 19 July 2001

