



(12) Related party transaction

During the six months ended 30 September 2001, the Group paid interest of HK\$172,000 (2000:HK\$438,000) for a loan from a director of the Company.

During the six months ended 30 September 2001, certain banking facilities of the Group were secured by properties owned by a director of the Company. The director received no consideration in providing this collateral.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group's unaudited consolidated turnover was HK\$120,974,000 for the six months ended 30 September 2001, a decrease of 27% from the corresponding period of last year. The net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2001 amounted to HK\$1,478,000, a drop of 89% from that of last year. Gross profit margin stated at 19% and the basic earnings per share recorded at 0.398 HK cent for the six months ended 30 September 2001.

Industrial Laminate

For the six months ended 30 September 2001, the sales of industrial laminate recorded a decrease of 42% from the corresponding period of last year. This was mainly attributable to the sharp decrease in product pricing, and the low demand of industrial laminate for producing telecommunication and computer related products as a result of the downturn of the global economy. In order to maintain competitiveness of the products, the Group continued to control the production and raw material costs and strengthen its credit risk management. As a result, the operating results of the industrial laminate division can be maintained at a profitable level.

Despite that the current economic situation is not stable, the management considered there are still enormous commercial opportunities in the PRC after its entry into the World Trade Organisation. The construction of the Suzhou plant is currently well in progress and expected to be completed by early 2002. By that time, the Group is able to serve the demand of industrial laminate in the North-eastern China, as well as further expand the overseas markets.



Printed Circuit Board

For the six months ended 30 September 2001, the sales of printed circuit board recorded an increase of 16% to HK\$43,925,000 as compared with the corresponding period of last year.

Though the market demand for computer and electronic telecommunication related products dropped sharply during the period under review, there was increasing demand for visual and audio household products which drove the turnover of the printed circuit board upward. With the aim to cope with the keen market competition of the business, certain new production lines and machineries have been acquired during the period under review to enhance the production capacity and efficiency.

On top of the ISO 9002 quality certificate granted to the printed circuit board division of the Group in 1997, the division plans to obtain the QS 9000 quality certificate in near future. The granting of such certificate would facilitate the division to explore further new markets, in particular the motor vehicle industry.

Copper Foil

The copper foil plant in Thailand is a long term strategic investment of the Group and there was continuous growth in its turnover during the past few years. For the six months ended 30 September 2001, the sales of copper foil recorded an increase of 14% from the corresponding period of last year. Apart from selling copper foil to external parties, a substantial portion of the product was supplied to other group companies, which manufacture industrial laminate and multi-layer printed circuit board. Such vertical integration can definitely maintain the competitive edge of the Group's industrial laminate and printed circuit board businesses.

It is the management's intention to place continuous emphasis on the research and development of the copper foil plant and explore new markets for this product in the Asia Pacific Region. These actions can further enhance the quality of the product and increase the turnover of such high technology product.

Conclusion

Owing to the downturn of the global economy in late 2000, the pricing and demand of electronic products are inevitably affected. In order to maintain competitiveness within the industry, the Group would continuously adopt a prudent operating strategy, including streamlining the business structure, tightening the control on operating costs, and strengthening its credit risk management. Besides, after the completion of the industrial



laminated plant in Suzhou, the Group would penetrate the PRC domestic market. The management has confidence that the Group will be benefited from the entry of the PRC into the World Trade Organisation.

It is also the aim of the management to maintain good management quality and implement the quality assurance system of the Group's various production bases. The industrial laminated plant in Zhongshan is now preparing for upgrading the existing ISO 9002 (1994 version) quality certificate to ISO 9001 (2000 version) quality certificate which is expected to be achieved by early 2002; while the printed circuit board plant in Dongguan plans to obtain the QS 9000 quality certificate in near future. By so doing, the quality assurance of these plants can be further enhanced, and various new markets can be explored.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2001, the current ratio of the Group maintained at approximately 1.38 and the net current assets were approximately HK\$40 million, which was a slight increase when compared with the corresponding amount at 31 March 2001.

In view of the trend of reducing interest rates, the management considered that it is advantageous for the Group to obtain additional, but not excessive, banking facilities for expanding its operating capacity and improving efficiency. Though the total interest bearing borrowings increased from HK\$51 million as at 31 March 2001 to HK\$70 million as at 30 September 2001, the Group's gearing ratio, which was calculated based on the total interest bearing borrowings and the shareholders' equity, could still be maintained at a comfortable level of 0.31 in view of its current operating capability.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the period under review, the Group continued to adopt a prudent approach towards the size of workforce and commit to staff development and training programs. As at 30 September 2001, the size of workforce was approximately 1,100. 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.



CHARGES ON THE GROUP'S ASSETS

At 30 September 2001, the amount of the Group's assets pledged as security for banking facilities was HK\$59 million (31 March 2001: HK\$43 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2001, there has been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and approved the interim accounts and the related accounting principles and practices adopted by the Group and discussed on the internal control and financial reporting matters of the Group.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

At 30 September 2001, the interests of the Company's directors in the shares of the Company recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Notes	Number of the Company's shares held and nature of interest	
		Personal interests	Other interests
Mr Lau Kwai	(a)	1,500,000	87,696,000
Mr Lau Chung Yim	(b)	16,812,000	42,078,400
Mr Lau Chung Hung		17,000,000	–
Mr Lau Hing Hai	(c)	–	15,851,200
Ms Lau May Wah	(d)	1,500,000	17,539,200
Mr Lau Chung Man		5,070,000	–
Mr Chan Wai Nam		1,100,000	–