

MANAGEMENT DISCUSSION AND ANALYSIS

During the current period, the market for Printed Circuit Boards (“PCB”) was sluggish. The Group confronted the pressure brought by the customers’ requests for downward revision of unit selling price. Nonetheless, the Group has maintained its turnover level as compared to the corresponding period in last year. Besides, the Group has improved its gross profit margin from a single-digit percentage for the preceding 6-months period to a double-digit percentage for the current period mainly because the Board has strengthened the controls on production overheads and raw material costs.

As mentioned in the last Annual Report, the Group was setting up a new PCB plant in Huizhou, P.R.C. for the manufacture of more delicate PCB. During the current period, the Group purchased machinery and equipment for the new PCB plant costing approximately HK\$78 million out of which approximately one half has been financed by leasing facilities and the balance has been financed by internal resources. The leasing facilities are either denominated in HK\$ or US\$, repayable over a period of 3 years and subjected to floating interest rates.

The Group’s current ratio at the current period end and the last year end was 1.10 times and 1.96 times respectively. The Group’s gearing ratio (i.e. the ratio between the aggregate of the current liabilities and non-current liabilities to shareholders’ fund) at the current period end and the last year end is 0.85 times and 0.40 times respectively. The changes in these financial ratios are primarily resulted from the purchase of machinery and equipment for the new PCB plant according to the financing arrangement as mentioned above.