

FINANCIAL REVIEW

The Group's pro forma turnover and net profit attributable to the shareholders for the year ended 31 December 2001 amounted to HK\$202,728,000 and HK\$40,563,000, respectively, which conformed with the profit estimate as stated in the Prospectus and represented increases of approximately 28% and 32%, respectively over the corresponding period in 2000. The pro forma basic earnings per share for the year under review was HK4.0 cents.

The net proceeds from the issue of new shares at the time of the Company's listing on the Stock Exchange on 27 March 2002, after deduction of related expenses, amounted to approximately HK\$27 million. As set out in the Prospectus, the directors intended that such net proceeds would be applied as follows:

- as to approximately HK\$17 million to acquire additional machinery and equipment for the expansion of the Group's manufacturing capacity for high-density PCBs;
- as to approximately HK\$5 million to refurbish and renovate the existing plant operated by a subsidiary of the Company in the PRC; and
- as to the balance of approximately HK\$5 million as additional working capital of the Group.

Subsequent to the balance sheet date and upon the listing of the Company's shares on the Stock Exchange on 27 March 2002, approximately HK\$17 million and HK\$5 million were paid as deposits for the procurement of production machinery and equipment and additions to leasehold improvements, respectively. The remaining proceeds not utilised were deposited with banks. The directors are of the opinion that the remaining proceeds will be applied in the coming year to their intended uses as set out above.

SEGMENT INFORMATION

No segmental information was disclosed as all the Group's turnover was generated from the sales of printed circuit boards ("PCBs") to Hong Kong based consumer electronic products manufacturers with production facilities in Guangdong Province, the People's Republic of China (the "PRC").

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as at 31 December 2001 were mostly held in Hong Kong dollars. The Group's borrowings as at 31 December 2001 were made in Hong Kong dollars and bore interest at prime rate or HIBOR plus 1% per annum. As at 31 December 2001, the Group's borrowings amounted to approximately HK\$7.6 million, all of which was repayable within one year. The gearing ratio of the Group as at 31 December 2001, calculated as a ratio of total interest-bearing borrowings to total assets, was approximately 8.4%. Net current assets as at 31 December 2001 was approximately HK\$19,006,000 and current ratio was maintained at a healthy level of approximately 144%. As the Group's transactions are mostly settled by Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, the Group does not consider the use of financial instruments for hedging purposes is necessary.

CONTINGENT LIABILITIES

As at 31 December 2001, the Company provided corporate guarantees to banks in connection with facilities granted to its subsidiaries up to the extent of HK\$20 million and the banking facilities were utilised to the extent of approximately HK\$7.6 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2001, the Group had 5 staff working in Hong Kong. In addition, 627 workers were employed by the Group in the PRC at a factory located in Dongguan.

The Group remunerates its employees largely based on industry practice. Remuneration packages comprise salary, commissions and bonuses based on individual performance.

FUTURE PLANS

PCB fabricators are being pressed to satisfy the demand for even greater circuit densities. Such demand will increase as electronic devices become smaller and integrate multiple function. For example, the development of "3-G," the third generation of mobile communications products and PDAs represent a multi-billion dollar business for PCB manufacturers and suppliers to the PCB industry.

Another business trend today is globalisation. The PCB industry, like most industries today, is no longer influenced by only local or national issues. A PCB manufacturer does not only competes with the plants down the street, but must also competes with PCB manufacturers from around the world. Original equipment manufacturing ("OEM" or "OEMs") are able to have designs built anywhere in the world, and they are choosing to send more and more of those designs to low-cost PCB manufacturing facilities for production. To lower production costs, there is a general trend for manufacturers to relocate their production facilities to the PRC and the southeast Asian countries such as Malaysia and Thailand. The emergence of these large, capable facilities in low-labour-cost countries creates market expectations for low priced, higher technology PCBs, creating the belief among western investors that their futures lie in establishing plants in these countries.

In response to the growing trend of technological advances and globalisation, most Hong Kong PCB manufacturers have upgraded their production facilities and have already relocated the labour-intensive production processes to the PRC to maintain their cost competitiveness. Their Hong Kong offices are mainly responsible for product development, quality control, management, marketing and logistic support. Yet there are a number of companies still maintaining the high value-added and/or capital-intensive production in Hong Kong, for example integrated circuits ("ICs") packaging, production of multi-layer PCBs, manufacturing of flexible substrates for IC assembly and PCB assembly by surface mount devices for high-value products.

Apart from focusing on controlling and reducing costs, PCB manufacturers also need to focus on improving customer service, assuring and improving quality. Looking into the future, the trend of globalisation, OEM demands, technology advances, information bottlenecks, pressures for "faster, cheaper and better" PCBs are also challenges that PCB manufacturers need to face.

The Group has located its production base in the PRC since 1991 to reap the benefit of lower production costs. The Group believe that it has built up its business relationships and have the reputation with its customers for providing "just-in-time" deliveries and well-managed logistic/inventory management supply services. The Group is in the process of acquiring additional machinery and equipment for the expansion of its manufacturing capacity for high-density PCBs as they are used in compact and complex consumer electronic products such as MP3 players, PDAs and mobile phones. The directors believe that strong growth in worldwide sales of these consumer electronic products will continue, in particular, after the PRC's accession into the World Trade Organisation (the "WTO").