

FINANCIAL REVIEW

Driven by steady growth of market demand for PCBs, especially in the PRC, the Group continued to report satisfactory business growth. For the year ended 31 December 2006, the Group's turnover amounted to approximately HK\$613.2 million, representing an increase of 23.7% as compared to approximately HK\$495.6 million for the year ended 31 December 2005. Profit attributable to shareholders was approximately HK\$39.1 million (2005: HK\$37.3 million), which was after netting the additional expenses of approximately HK\$7.1 million relating to the initial public offering (2005: HK\$3.0 million). Excluding these expenses, profit attributable to shareholders grew approximately 14.6% against the previous year.

During the year under review, the Group rationalized its product mix by increasing significantly the contribution from multi-layered PCBs, which have a higher profit margin of 30.1%. This strategy pushed the Group's gross profit up by 19.3% to approximately HK\$117.8 million. Profit margin was maintained at the 19% level despite the pricing pressure experienced by the Group's single-sided and double-sided PCBs due to keen market competition.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2006, the Group had total assets of approximately HK\$692.8 million (31 December 2005: HK\$491.5 million) and interest-bearing borrowings of approximately HK\$229.8 million (31 December 2005: HK\$165.4 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 33.2% (31 December 2005: 33.7%).

The Group had net current liabilities of approximately HK\$41.4 million (31 December 2005: net current asset of HK\$1.1 million) consisted of current assets of approximately HK\$380.6 million (31 December 2005: HK\$257.0 million) and current liabilities of approximately HK\$422.0 million (31 December 2005: HK\$255.9 million), representing a current ratio of approximately 0.9 (31 December 2005: 1.0).

As at 31 December 2006, the Group had cash and bank balances of approximately HK\$35.9 million (31 December 2005: HK\$15.0 million). During the year, the Group recorded a cash inflow from the initial public offering of approximately HK\$51.5 million.

BUSINESS REVIEW

Mobile application of consumer electronics is gaining popularity and has fueled global demand for PCBs. Boasting tailored, high quality and reliable products, the Group has been able to capture the growing demand and achieved steady business growth. The Group's PCBs for the consumer electronics sector brought in the most revenue contribution, accounting for approximately 64.4% of the Group's total turnover. Several new customers were secured for the segment, including LITEON group, EPSON, HUECO and EGO, etc. During the period under review, the Group established solid relationships with over 280 clients, most of which are EMS companies and OEMs that manufacture products for international electronics brands.

BUSINESS REVIEW *(continued)*

By product, the Group shifted its focus from single-sided and double-sided PCBs to multi-layered PCBs. It undertook mass production of 8-layer PCBs and completed the prototype of 10- and 12-layer PCBs. The revenue contribution of multi-layered PCBs increased significantly from 13.8% of the Group's total turnover last year to 20.6% this year. The shift has helped to stabilize the Group's profit margin and drive business growth.

Currently, the Group's Zhongshan plant has an annual production capacity of approximately 38.4 million square feet of multi-layered PCBs. To expand its production capacity, the Group had acquired three plots of land in Gaoping, Sanjiao Town, Zhongshan in the PRC, including production facilities totaling 52,413 sq. m. at a total consideration of RMB60 million (the "Acquisition"). As a result of the Acquisition, there was an adjustment to the use of net proceeds from the initial public offering as follows:

- (i) approximately HK\$19.4 million originally intended for funding construction of a new two-storey factory building were used to support the Acquisition.
- (ii) HK\$27 million originally designated for the purchase of new equipment to facilitate expansion of production facilities were reduced to approximately HK\$12 million; the balance of approximately HK\$15 million were used to fund the Acquisition.
- (iii) purchase of HK\$15 million worth of equipment will now be financed by leasing or hire purchases arrangements secured with financial institutions.

Along with the additional production facility for multi-layered PCBs and the Group's sales effort, the contribution derived from the multi-layered PCB market is expected to continue to increase and drive the Group's growth. In the year to come, the Group will seek to grasp business opportunities, particularly in China which is emerging as the largest and fastest growing PCB manufacturing country in the world.

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on plant and equipment. There are also sales transactions denominated in United States Dollars and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

HUMAN RESOURCES

As at 31 December 2006, the Group employed a total of approximately 2,380 employees (31 December 2005: 1,632), including approximately 2,350 employees in its Zhongshan production site and approximately 30 employees in its Hong Kong office. Competitive remuneration packages were offered to employees. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals.

PROSPECTS

China's PCB production has growth much faster than that of the world, with the expected growth rate reaching nearly 10% in 2007, while the industry forecast of the growth rate of the Asia PCB market (excluding Japan) is only 6.3%. With a solid foundation and strong presence in the PRC, the Group is poised to grasp opportunities emerging in the China market. As consumer spending on computer and computer peripherals, communication equipment and automobiles continues to grow, these markets are expected to remain as the Group's major revenue growth drivers in 2007.

To expand its production capacity as well as product offerings, the Group has acquired a new plant in Gaoping, Sanjiao Town, which is a significant step in the Group's shift of business focus from the highly competitive single-sided PCBs market to the high margin multi-layered PCBs market. When Gaoping plant begins operation in June 2007, the Group will have added multi-layer PCB production capacity of 3 million sq. ft. initially. The plant has room for capacity expansion should market demand rise.

Apart from boosting production capacity, the Group will continue to actively explore ways to grow its business, for example, to extend its global reach to overseas. Committed to delivering the highest quality and tailor-made products to customers at short lead times, the Group has teamed up with overseas PCBs market players to extend its services to Japan, Taiwan, Korea and Singapore, and the effort has secured concrete projects. The Group has also appointed sales representatives in the US to provide on-site sales and services to customers.

Looking ahead, the Group expects the newly acquired production facility to help speed up its growth. The management believes, with widened product offerings and an extended geographical reach, the Group will be able to deliver the best customized one-stop-service to customers, and in turn bring fruitful results to shareholders in the coming year.