MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

At 30 June 2003, the Group's net worth was HK$691.6 million compared with HK$676.4 million as at 30 June 2002.

LIQUIDITY AND FINANCIAL RESOURCES

In the current financial year, the Group had generated HK$283.8 million (2002 – restated: HK$375.1 million) cash from operating activities.

The Group's bank borrowings are mainly denominated in Hong Kong and United States dollars, unsecured and bear interest at floating rate. At 30 June 2003, the Group had outstanding bank borrowings of HK$788.7 million (2002: HK$683.0 million) and among them, HK$470.0 million (2002: HK$251.7 million) are repayable within one year; HK$318.7 million (2002: HK$431.3 million) are repayable within two to five years.

TREASURY POLICIES, HEDGING AND OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group adopted prudent treasury policies via forward contracts to reduce exposures due to fluctuations in currency exchange rates and fluctuations in interest rates.

At 30 June 2003, about 29.7% (2002: 51.4%), or approximately HK$234.0 million (2002: HK$351.0 million) of the Group's long term bank borrowings was hedged by an average interests rate swap contract to reduce exposures in interest rate risk. Management has further arranged two fixed interest rate swap contracts to further reduce risk of interest rate fluctuations covering HK$70.2 million and HK$54.6 million of the Group's long term bank borrowings with effect from December 2003 and June 2004 respectively.

At 30 June 2003, the Group had outstanding foreign currency forward contracts of JPY94.8 million to hedge against the exposures to foreign currency fluctuations of trade payables denominated in Japanese Yen. Besides, the Group had contractual outstanding amount of approximately HK$3.9 million US dollar forward contract against US dollar trade receivables.

SHARE CAPITAL

During the financial year under review, the Company's share capital had increased by HK$1.9 million on exercise of share options under the Company's employees' option scheme.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2003, the Group had approximately 10,400 employees (30 June 2002: 8,700) worldwide. The increase in headcount was mainly due to the increased production in certain PCB plants. The Group continued to maintain its competitive remuneration policies, discretionary bonus programme and share option schemes by reference to market, geographical locations, and performance of individual employees. Other policies such as training, insurance and medical benefits also remained the same.

INVESTMENTS

The Group had increased investment of HK$44.0 million in three PCB plants and HK$0.5 million in a jointly-controlled entity engaged in logistics business during the current financial year. For the financial year under review, the Group had no material acquisition and disposal of interests in subsidiaries.

CAPITAL ASSETS

During the financial year, the Group spent capital expenditure of HK$195.5 million mainly in plant, machinery, and equipment for increasing PCB production capacity. These were financed from internal resources and bank borrowings.

The Group's assets are free from charge.

GEARING RATIO

The Group's gearing ratio, calculated on the basis of total bank borrowings over total shareholders' equity, increased from 101% at 30 June 2002 to 114% at 30 June 2003, mainly due to new bank loans were drawn down to finance the PCB business.

CONTINGENT LIABILITIES

At the balance sheet date, the Company had a contingent liability in respect of an unlimited guarantee given to a bank for general banking facilities granted to subsidiaries. At the balance sheet date, these banking facilities were utilised by the subsidiaries to the extent of approximately HK$411.0 million (2002: HK$434.0 million).

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$2.6 million as at 30 June 2003. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

PROPOSAL FOR CHANGES IN ACCOUNTING ESTIMATES

In conjunction with the further refinement of the revised depreciation policy as discussed in the interim announcement, the Group is also taking the opportunity to carry out a study of the present condition and economic useful lives of its existing PCB plant and equipment in the light of the changing market conditions. This may necessitate a further review of the Group's depreciation policy on plant and equipment.