

MANAGEMENT DISCUSSION AND ANALYSIS

管理階層之討論及分析

BUSINESS REVIEW

During the first half of the current year, the global printed circuit boards ("PCB") market remained unsatisfactory due to the sluggish demand for electronic and telecommunication products. The keen competition in the PCB industry continued to drive the PCB selling price downwards. However, the PCB industry felt the recovery and the PCB selling price stopped falling during the second half of the current year. Thanks to the establishment of the Group's new PCB plant in Huizhou of Mainland China, the Group was capable of manufacturing more delicate PCB with higher selling price during the current year. As a result, the Group's overall PCB average unit selling price increased by about 1% during the current year.

The Group's turnover increased by about 1.6% to HK\$241,666,000 during the current year. In monetary terms, the Group's PCB sales mix in current year was almost the same as that of last year with multi-layer PCB accounting for about 60% of the Group's turnover. The Group's overall PCB sales volume also increased by about 1% during the current year but the extent of the increase was less than expected because of the following reasons.

First of all, because an offeror made a conditional offer (the details of which were set out in the Company's circular dated 18 September 2003) to acquire all the issued shares of the Company in August 2003, some of the Group's customers temporarily withheld orders for PCB pending the outcome. The conditional offer finally lapsed on 30 October 2003 and the substantial shareholders of the Company remain unchanged. Those customers have resumed orders for PCB from the Group thereafter.

業務回顧

在本年度上半年，由於電子及通訊產品的需求表現呆滯，全球綫路板市場仍然未如理想，綫路板行業激烈的競爭促使綫路板的銷售價持續向下。然而，綫路板行業在本年度下半年已感受到復甦，綫路板的銷售價停止下調。在本年度內，由於本集團在中國大陸惠州市已建成新綫路板廠房，故此本集團能夠生產較高銷售價的精密綫路板。結果，本集團在本年度內整體綫路板的平均銷售價增加約1%。

在本年度內，本集團的營業額增加約1.6%至港幣241,666,000元。以金額計算，本集團在本年度的綫路板銷售組合與去年度相約，多層綫路板仍佔本集團營業額約60%。本集團在本年度內整體的綫路板銷量增加約1%，但這個增幅由於下列原因引至比預期為低。

首先，因為一位收購人於二零零三年八月提出一項有條件的收購建議（詳情載於本公司於二零零三年九月十八日之通函內）收購本公司所有已發行股份，故此本集團部份客戶暫時抽起綫路板的訂單直至有結果為止。有條件的收購建議最終於二零零三年十月三十日失效，而本公司的主要股東維持不變，該等部份客戶其後已恢復向本集團訂購綫路板。

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Secondly, one of the Group's major customers expressed concern on the environmental conservation policies and measures of their suppliers during the current year and promised to place orders for PCB with high volume from the Group only after the Group's PCB plants obtained the ISO14001 accreditation. Accordingly, the Group's PCB plants carried out rigorous review of their environmental conservation policies and measures and invested millions of Hong Kong dollars in effluent and fumes treatment facilities during the current year and finally obtained the ISO14001 accreditation in April 2004.

The purchase prices of raw material items were subject to varying degrees of increment which in turn, increased the cost of inventories sold during the current year. For instance, because of the worldwide huge demand for non-ferrous metals such as gold and copper, the purchase prices of gold potassium cyanide and copper foil (being two of the major raw material items for the manufacture of PCB) at the end of the current year jumped by 11% and 18% respectively as compared to their corresponding purchase prices at the beginning of the current year. Accordingly, the Group's gross profit ratio decreased by 1.08% to 13.93% during the current year.

Events happening in either the current year or the last year led to a reduction of the Group's profit by HK\$4,087,000 in current year. There was an exchange gain of HK\$897,000 in last year but the weak USD currency persisting during the current year resulted in an exchange loss of HK\$910,000. Moreover, there were a write-back of doubtful debt provision amounting to HK\$513,000 and an insurance claim recovery in excess of the corresponding net book value of the fixed assets amounting to HK\$880,000 in last year. Besides, the Company incurred expenses amounting to HK\$887,000 resulting from the conditional offer as mentioned above in current year.

其次，一位本集團的主要客戶在本年度內表達對其供應商在環境保護政策及措施的關注，並承諾只會在本集團的綫路板廠房獲取ISO14001認證後才會向本集團大量訂購綫路板。因此，本集團的綫路板廠房在本年度內對其環境保護政策及措施進行嚴格的檢討，並投資數以百萬港元用於污水及廢氣處理設備上，最終於二零零四年四月獲取ISO14001認證。

在本年度內，原材料的採購價有不同程度的加幅，因而引至銷售成本有所增加。例如，由於全球對有色金屬如金及銅等的巨大需求，氰化金鉀及銅箔（為生產綫路板的其中二項主要原材料）在本年度末的採購價比對其本年度初的採購價分別跳升11%及18%。因此，本集團的毛利率在本年度內下降1.08%至13.93%。

只在本年度或去年度發生的事件引至本年度本集團的利潤下降港幣4,087,000元。去年度有外匯收益港幣897,000元，但本年度由於美元持續疲弱引至外匯虧損港幣910,000元。此外，去年度有呆賬準備回撥港幣513,000元及保險索賠金額高過相關固定資產賬面淨值港幣880,000元。其次，本公司在本年度由於上文所述的有條件的收購建議招至港幣887,000元的開支。

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FINANCIAL REVIEW

As at 31 March 2004, the Group's gearing ratio (i.e. the ratio of total liabilities to shareholders' fund) was 0.64 times (2003: 0.82 times) while the Group's current ratio was 1.11 times (2003: 0.95 times). These financial ratios showed improvement during the current year. Because the Group can generate substantial net cash inflow from its PCB operating activities, these financial ratios will be improved further during the year ahead.

As at 31 March 2004, the Group's aggregate outstanding balances of the finance leases and hire purchase contract payables, other loans and bank loan amounting to HK\$18,479,000 (2003: HK\$28,908,000) out of which HK\$9,534,000 (2003: HK\$24,724,000) were repayable within the next 12 months. These borrowings were either denominated in Hong Kong dollars or United States dollars, originally repayable monthly over 3 years and subjected to floating interest rates. The Group does not adopt any interest rate hedging tool for these borrowings. Certain machinery and equipment of the Group with a net book value as at 31 March 2004 of HK\$45,708,000 (2003: HK\$59,305,000) were pledged to secure these borrowings.

As at 31 March 2004, the Group's current assets and total liabilities were mostly denominated in either Hong Kong dollars or United States dollars. Besides, the Group's PCB plants are all located in Mainland China and the exchange rate of Renminbi remains fairly stable. Hence, the group's net exposure to fluctuation in exchange rates is insignificant and no foreign currency hedging tool is adopted.

財務回顧

於二零零四年三月三十一日，本集團的負債與資本比率（即總負債與股東權益的比率）為0.64倍（二零零三年：0.82倍），而本集團的流動比率為1.11倍（二零零三年：0.95倍）。這些財務比率在本年度內顯示有所改善。因為本集團能夠在其綫路板的經營業務中產生顯著的淨現金流入，故這些財務比率於來年內將會進一步改善。

於二零零四年三月三十一日，本集團的應付融資租約及租購合同、其他貸款及銀行貸款的總結欠為港幣18,479,000元（二零零三年：港幣28,908,000元），當中港幣9,534,000元（二零零三年：港幣24,724,000元）需於未來十二個月內償還。有關借貸均以港幣或美元為結算單位、於三年期內每月償還及以浮動息率計算利息。本集團並無因應上述借貸採用任何利率對沖工具。本集團於二零零四年三月三十一日賬面淨值為港幣45,708,000元（二零零三年：港幣59,305,000元）的若干機器及設備已作為上述借貸的抵押品。

於二零零四年三月三十一日，本集團的流動資產及總負債大部份均以港幣或美元為結算單位；此外，本集團的綫路板廠房全位於中國大陸，而人民幣的匯率仍保持十分穩定。故此本集團因匯率波動而承受的風險並不重大，亦因此並無採用外匯對沖工具。

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EMPLOYEE BENEFITS

As at 31 March 2004, the Group had 1,064 (2003: 1,167) employees, including directors, working mainly in Mainland China. For the year ended 31 March 2004, the Group's total staff costs including directors' remuneration were HK\$24,456,000 (2003: HK\$23,287,000).

According to the Group's staff remuneration policy, the remuneration of an employee is determined by the Board from time to time with reference to his performance and duties, the performance and profitability of his employer and the prevailing market conditions.

The Company operates a share option scheme (the "New Scheme") for the purpose of encouraging the eligible participants to perform their best in achieving the goals of the Company and at the same time allow the eligible participants to enjoy the results of the Company attained through their effort and contribution. Eligible participants of the New Scheme include any full-time employees, directors or professional advisers of the Company or any of its subsidiaries or associated companies. The New Scheme became effective on 28 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Up to the current year ended 31 March 2004, there was no share option granted under the New Scheme. Upon the adoption of the New Scheme, the previous share option scheme (the "Previous Schcem") adopted on 18 February 2000 was terminated by the Company and all the then outstanding share options granted under the Previous Scheme were cancelled.

僱員福利

於二零零四年三月三十一日，本集團包括董事在內共有僱員1,064人（二零零三年：1,167人），而大部份僱員皆在中國大陸工作。截至二零零四年三月三十一日止年度，本集團包括董事酬金在內的總員工成本為港幣24,456,000元（二零零三年：港幣23,287,000元）。

根據本集團的員工報酬政策，僱員的報酬由董事會參考其工作表演及職責、其僱主的業績及盈利水平以及現行市場情況而不時釐定。

本公司設立一項股份期權計劃（「新計劃」），藉以鼓勵合資格參與者盡其所能，達成本公司的目標，並同時讓合資格參與者享受彼等之努力及貢獻為本公司帶來之成果。新計劃的合資格參與者包括本公司或其任何附屬或聯營公司的任何全職僱員、董事或專業顧問。新計劃於二零零三年八月二十八日生效，並除非另被註銷或經修訂，將由該日起計十年內一直有效。截至本年度末二零零四年三月三十一日止，在新計劃下並無授出股份期權。採納新計劃後，本公司已終止於二零零零年二月十八日採納的舊股份期權計劃（「舊計劃」），而所有根據該舊計劃授出但當時尚未行使的股份期權亦已註銷。

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OUTLOOK

The year ahead remains a challenging year but the Board believes that the PCB industry and the Group have weathered the trough.

On one hand, the purchase prices of certain raw material items have increased rapidly since March 2004. For instance, due to the worldwide shortage of fibre-glass supply, the purchase prices of certain laminate and prepreg (being two of the major raw material items for the manufacture of PCB) in June 2004 rocket by about 40% and 20% respectively as compared to their corresponding purchase prices in March 2004. On the other hand, the purchase prices of other raw material items such as gold potassium cyanide begin to fall after reaching their historically highest level at the beginning of the year 2004.

In light of the increase in purchase prices of some raw material items during the current year, the Group has begun to negotiate the upward revision of PCB selling price with its customers at the beginning of the year 2004. The Board is pleased to note that the Group has successfully persuaded its largest customer to accept the upward revision of PCB selling price ranging from 3% to 20% depending on the models of PCB for new orders placed from April 2004 onwards. The Group is trying to persuade other customers to accept the upward revision of PCB selling price in the months ahead.

As mentioned above, the Group's PCB plants have obtained the ISO14001 accreditation in April 2004. The Group considers the ISO14001 accreditation is beneficial to many parties. On one hand, the Group can help to improve the living environment for the workers and the general public. On the other hand, the Group can secure the orders for PCB from world-renowned customers who have insisted or will insist on having sound environmental conservation policies, measures and facilities by their suppliers.

Barring any unforeseen circumstance, the Board is cautiously optimistic about the results of the Group for the year ended 31 March 2005.

前景

來年將仍是充滿挑戰的一年，但董事會相信綫路板行業及本集團已經渡過低潮。

一方面，某些原材料的採購價從二零零四年三月起已快速調升。例如，由於全球玻璃纖維的供應短缺，某些敷銅板及固化片（為生產綫路板的其中二項主要原材料）在二零零四年六月份的採購價比對其二零零四年三月份的採購價分別急升約40%及20%；另一方面，其他原材料如氰化金鉀的採購價在二零零四年初到達其歷史最高水平後已開始回落。

由於在本年度內某些原材料的採購價有所增加，本集團在二零零四年初已開始與客戶商討調升綫路板的銷售價。董事會欣然注意到本集團已成功說服其最大的客戶接受從二零零四年四月起調升新訂單的綫路板銷售價，調升幅度由3%至20%不等，取決於綫路板的型號。本集團現正說服其他客戶在未來數月接受調升綫路板的銷售價。

如上文所述，本集團的綫路板廠房已於二零零四年四月獲取ISO14001認證。本集團認為獲取ISO14001認證對多方面皆有利。一方面，本集團能夠協助改善員工及普羅大眾的生活環境；另一方面，本集團可藉此鞏固世界知名客戶的綫路板訂單，因為這些客戶已堅持或將會堅持其供應商需有良好的環境保護政策、措施及設備。

如無任何不可預見的情況，董事會對本集團截至二零零五年三月三十一日止年度的業績表示謹慎樂觀。