

MANAGEMENT DISCUSSION AND ANALYSIS

管理階層之討論及分析

BUSINESS REVIEW

The total turnover of printed circuit boards (“PCB”) for the current year was about 7% higher than that for last year. The sales value of multi-layer PCB as a percentage of total turnover for the current year was about 77% while that for last year was about 62% only.

The Group confronted a difficult operating environment during the first three quarters of the current year and the average gross profit percentage for that period was just 10% which was about 4% lower than that for last year. The operating performance for that period was not satisfactory as a result of both the dramatic increase in our purchase prices of certain major raw material items and the weak demand for PCB from the Group’s telecommunication products customers. Yet, thanks to the substantial orders for delicate PCB and the gradual improvement in the operating environment commencing from December 2004 onwards, the Group’s previous investment in advanced machinery for the manufacture of delicate PCB has begun to bear fruit. The average gross profit percentage for the last quarter of the current year reached 20%.

The big rise in our purchase prices of certain major raw material items in the manufacture of PCB during the first three quarters of the current year was related primarily to the mismatch in the worldwide demand and supply for non-ferrous metals to which the Group could exert no influence. For example, because of the worldwide huge demand for copper, our average purchase price of copper foil during the first half of the current year increased by about 27% as compared to that in the last corresponding period. And because of the worldwide shortage in the supply of fibre-glass, our purchase prices of certain laminates and prepreg in September 2004 were almost 40% and 27% respectively higher than in April 2004. Given the frequency and the extent of the increment in our purchase prices of these major raw material items, the Group could hardly pass this burden wholly to the customers immediately especially in light of the weak demand for PCB. Hence, the Group inevitably suffered from temporary deterioration in profitability during that period.

業務回顧

本年度綫路板的總營業額比對去年度增加約7%；而本年度多層綫路板的銷售價值佔總營業額約77%，去年度有關比率只約為62%。

本集團在本年度首三個季度內面對艱苦的經營環境，該段期間的平均毛利率只有約10%，比對去年度全年的平均毛利率減少約4%。該段期間的經營表演並不理想，原因是若干主要原材料的採購價急漲及本集團電子通訊產品客戶對綫路板的需求疲弱。然而從二零零四年十二月起，由於大量精密綫路板的訂單及經營環境逐步地改善，本集團前期投資於製造精密綫路板的先進機器已開始有成果，本年度最後一個季度的平均毛利率已達至20%。

在本年度首三個季度內若干製造綫路板用的主要原材料的採購價多次大幅上升，主要的原因是與全球對有色金屬的供求錯配有關係，而本集團在這方面不可能施予任何影響力。例如，由於全球對銅的巨大需求，銅箔的平均採購價在本年度上半年期間內比對其在去年度同期內增加約27%；而由於全球玻璃纖維的供應出現短缺，若干敷銅板及固化片在二零零四年九月的採購價高於該等原材料在二零零四年四月的採購價分別為約40%及27%。由於本集團不可能即時全數將此等主要材料頻密及巨大的採購價加幅轉嫁至客戶（尤其在面對疲弱的綫路板需求之時），故此本集團在該段期間內無可避免地承受短暫變差的盈利能力。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

管理階層之討論及分析 (續)

The turning point for the Group's operating performance occurred in December 2004 when some customers began to place substantial orders for delicate PCB. Equipped with advanced machinery and production know-how, the Group has been ready to manufacture delicate PCB for some time. But without any substantial orders for delicate PCB, it will be quite risky to invest further in advanced machinery for the purpose of upgrading the Group's PCB production capacity and capability. The substantial orders for delicate PCB was a catalyst in the evolution of the Group. The Group has begun to invest further in advanced machinery since December 2004 and the Group has been more capable of meeting the customers' continuously stringent requirements. At the same time, the Group has been in a better position to negotiate our purchase prices of both raw material items and machinery with the suppliers in light of the increase in the volume of our orders.

FINANCIAL REVIEW

As at 31 March 2005, the Group's gearing ratio (i.e. the ratio of total liabilities to shareholders' fund) was 0.98 times (2004: 0.64 times) while the Group's current ratio was 1.04 times (2004: 1.11 times). The higher gearing ratio and the lower current ratio at current year end were resulted primarily from the current year addition of about HK\$30 million worth of machinery and equipment, over half of which was acquired by means of finance leases. Because the Group can generate substantial net cash inflow from its PCB operating activities, these financial ratios will improve during the year ahead.

As at 31 March 2005, the Group's aggregate outstanding balances of the finance lease and hire purchase contract payables, other loans and bank loans amounting to HK\$35,944,000 (2004: HK\$18,479,000) out of which HK\$20,310,000 (2004: HK\$9,534,000) is repayable within the next 12 months. The bank loans of HK\$8,120,000 (2004: Nil) were all required to be settled in United States dollars, repayable within 3 months and subject to floating interest rates. Other borrowings were all required to be settled in Hong Kong dollars, originally repayable monthly over 3 years and mostly subject to floating interest rates. The Group does not adopt any interest rate hedging tool for all these borrowings. Certain machinery and equipment of the Group with a net book value as at 31 March 2005 of HK\$28,484,000 (2004: HK\$45,708,000) were pledged to secure these borrowings.

本集團經營表現的轉捩點發生於二零零四年十二月，當時一些客戶開始發出大量精密綫路板的訂單。具備了先進機器及生產技術秘訣的情況下，本集團已有相當一段時間準備就緒製造精密的綫路板。然而，在沒有大量精密綫路板訂單的配合前，貿然進一步投資先進的機器以提升本集團生產綫路板的能力將會是十分冒險的舉措。大量精密綫路板的訂單正是本集團演進過程中的催化劑，本集團從二零零四年十二月起已開始進一步投資先進的機器，而本集團已經更能滿足客戶持續不斷的嚴格要求。同時，在採購量增加的情況下，本集團已處於更有利的位置與原材料及機器供應商商討有關的採購價。

財務回顧

於二零零五年三月三十一日，本集團的負債與資本比率（即總負債與股東權益的比率）為0.98倍（二零零四年：0.64倍）；而本集團的流動比率為1.04倍（二零零四年：1.11倍）。於本年度末較高的負債與資本比率及較低的流動比率主要源自本年度增加的機器及設備約港幣三千萬元，當中起過一半以融資租約方式添置。因為本集團能夠從其綫路板的經營活動中產生顯著的淨現金流入，故這些財務比率於來年內將會有所改善。

於二零零五年三月三十一日，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35,944,000元（二零零四年：港幣18,479,000元），當中港幣20,310,000元（二零零四年：港幣9,534,000元）需於未來十二個月內償還。銀行貸款港幣8,120,000元（二零零四年：無）全數需以美元結算，並於三個月內償還及以浮動息率計算利息。其他借貸全數需以港幣結算，最初訂明於三年期內每月償還及大部份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。本集團於二零零五年三月三十一日賬面淨值為港幣28,484,000元（二零零四年：港幣45,708,000元）的若干機器及設備已作為上述借貸的抵押品。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

管理階層之討論及分析 (續)

As at 31 March 2005, the Group's current assets and total liabilities were mostly required to be settled in either Hong Kong dollars or United States dollars. Hence, the group's net exposure to fluctuation in exchange rates is insignificant and no foreign currency hedging tool is adopted.

EMPLOYEE BENEFITS

As at 31 March 2005, the Group has 1,169 (2004: 1,064) employees, including directors, working mainly in Mainland China. For the year ended 31 March 2005, the Group's total staff costs including directors' remuneration were HK\$24,667,000 (2004: HK\$24,456,000).

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 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 share option scheme include any full-time employees, directors or professional advisers of the Company or any of its subsidiaries or associated companies. The share option scheme became effective on 28 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

A total of 16,250,000 share options which represented approximately 3.5% of the Company's shares in issue at the date of grant were granted to certain directors and full-time employees of the Group on 15 June 2004. The exercise price and the exercise period of these share options are HK\$0.20 per share and from 15 June 2004 to 14 June 2009, respectively. The closing price of the Company's shares at the date of grant of these share options on 15 June 2004 was HK\$0.192 per share. As at 31 March 2005, all the 16,250,000 share options granted remained unexercised.

於二零零五年三月三十一日，本集團的流動資產及總負債大部份需以港幣或美元結算，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。

僱員福利

於二零零五年三月三十一日，本集團包括董事在內共有僱員1,169人（二零零四年：1,064人），大部份僱員皆在中國大陸工作。截至二零零五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24,667,000元（二零零四年：港幣24,456,000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，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。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。股份期權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。

在二零零四年六月十五日，本集團的一些董事及全職僱員獲授予合共16,250,000份股份期權，約佔本公司於授予日期已發行股份的3.5%。有關股份期權的行使價及行使期分別為每股港幣0.2元及由二零零四年六月十五日起至二零零九年六月十四日止。於二零零四年六月十五日授予該等股份期權當日，本公司每股股份的收市價為港幣0.192元。於二零零五年三月三十一日，全數16,250,000份授予的股份期權尚未被行使。

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

管理階層之討論及分析 (續)

OUTLOOK

The year 2004 was definitely a difficult year for the Group but the Group had weathered the difficult period. The beginning of the year 2005 is a good starting point for the Group as the substantial orders for delicate PCB have persisted and the operating results of the Group has turned around since January 2005. Although the year ahead looks promising, the Board is wary of the challenging factors which may impact the Group.

As mentioned before, the Group could exert no influence to any mismatch in the worldwide demand and supply of non-ferrous metals used in the manufacture of our major raw material items. If there is any such mismatch which will drive up our purchase prices of major raw material items steeply and the Group cannot shift the burden wholly to the customers, the Group will suffer as in current year.

Besides, the Group is currently quite heavily relying on its telecommunication products customers from whom about 70% of the total turnover is generated. Although the business of these customers is still quite robust for the moment, there is no guarantee that the same will apply in next year. In light of this, the Board intends to further broaden the customer base of the Group after upgrading the production capacity so as to alleviate the impact which may result from relying too much on particular type of customer.

The petroleum price is standing at an unprecedentedly high level. The interest rates for United States dollars and Hong Kong dollars are rising and the Renminbi currency is likely to appreciate in the near future. Although these events may not increase the operating costs of the Group to a great extent, they may hinder the growth of the world economy and the business of the Group may be adversely affected accordingly.

In spite of the above concern, the Board is confident that the Group will show a more healthy picture in the year ahead.

前景

對本集團來說，二零零四年肯定是困難的一年，然而本集團已渡過這段艱苦時期；二零零五年開始是一個好的起點，從二零零五年一月起，大量精密綫路板的訂單仍然持續，而本集團的經營業績已轉虧為盈。雖然來年看似充滿希望，董事會對可能影響本集團的各種挑戰因素仍保持警惕。

如前文所述，本集團對用於製造主要原材料的有色金屬在全球供求錯配上不可能施予任何影響力。倘若任何類似的供求錯配導致主要原材料的採購價大幅漲價，而本集團不能將有關加幅全數轉嫁至客戶，本集團將如本年度一樣承受損失。

此外，本集團現時十分依賴其電子通訊產品客戶，有關客戶約佔總營業額的70%。雖然有關客戶現時的業務仍然表演充滿活力，但不能保證於明年此等情況仍然如是。為盡量減低因過份依賴某類客戶所帶來的影響，董事會計劃在提升生產能力後進一步擴闊本集團的客戶基礎。

石油價格現時正處於歷史高位，美元及港元的利率正在上升，而人民幣的匯率在不久將可能升值。雖然此等事宜可能不會大幅增加本集團的經營成本，但它們可能妨礙世界經濟的增長，並可能因此不利地影響本集團的業務。

雖然對以上的挑戰因素表示關注，董事會有信心本集團在來年將展現更健康的景象。