

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As from 29 October, 1999 following the completion of a transaction whereby ASAT became an associate, the Company has ceased to consolidate the accounts of ASAT but account for the results of ASAT by using the equity method of accounting. Accordingly, a better comparison of the profit for period under review may be made by reference to the pro forma information prepared on the basis as if ASAT were deconsolidated from the Group as of 30 April, 1999.

The Group's consolidated turnover for the six months ended 31 October, 2000 amounted to HK\$498 million, representing a 21% increase, as compared with HK\$413 million for the same period in the previous financial year prepared on a pro forma basis ("pro forma results"). Profit for the period was HK\$891 million, compared to HK\$934 million for the same period in the previous financial year. As shown in note 9, this decrease was due to a decrease in the net gain on non-recurring items by HK\$65 million to HK\$684 million (1999: net gain HK\$749 million) and a net increase on the profit for the period excluding non-recurring items by HK\$22 million to HK\$207 million (1999: HK\$185 million).

Leadframe operations

As shown in note 2, sales of leadframes, heat sinks and stiffeners amounted to HK\$406 million, representing a 26% increase, as compared to HK\$322 million for the same period in the previous financial year. Profit from operations also improved to HK\$50 million representing an increase of 22% as compared to HK\$41 million (before provision for slow moving inventories) for the same period in the previous financial year. While demand for leadframes, heat sinks and stiffeners have increased, competition remains keen.

Assembly of integrated circuits and testing services

After ASAT became an associate in October, 1999, the Group's assembly of integrated circuits and testing services operation continued to be carried on by its subsidiary, ASAT S.A., in France. As shown in note 2, turnover for the period under review amounted to HK\$98 million, a decrease of HK\$7 million as compared to the pro forma results. ASAT S.A. sales currently account for only 20% of the Group's turnover, as compared to 25% on a pro forma basis. This is the principal reason explaining the decrease of the proportion of the Group's sales to Europe falling to 13%, as compared to the 19% by reference to the pro forma results. Despite a decrease in sales, ASAT S.A. remained profitable and contributed HK\$5 million, an increase by

管理層討論及分析

業務回顧

自一九九九年十月二十九日起，隨著完成一項將樂依文轉為聯營公司之交易後，本公司已不再將樂依文之賬目綜合計算，改為按會計權益法計入樂依文業績。因此，參照備考資料乃較佳方法用作比較本期間溢利，而該等資料乃根據假設樂依文於一九九九年四月三十日起不再綜合於本集團賬目而編製。

本集團截至二零零零年十月三十一日止六個月之綜合營業額為四億九千八百萬港元，與上一個財政年度同期四億一千三百萬港元（以備考基準編製（「備考業績」）比較，增加21%。期間溢利為八億九千一百萬港元，比較上一個財政年度同期九億三千四百萬港元，如附註9所示，跌幅乃由於非經常性項目之收益淨額下跌六千五百萬港元至六億八千四百萬港元（一九九九年：收益淨額為七億四千九百萬港元）所致，而期間溢利（不包括非經常性項目）則上升二千二百萬港元至二億七百萬港元（一九九九年：一億八千五百萬港元）。

引線框業務

如附註2所示，引線框、散熱件及加強桿之營業額為四億六百萬港元，與上一個財政年度同期三億二千二百萬港元比較，增加26%。經營溢利亦上升22%至五千萬港元，而上一個財政年度（於滯銷存貨撥備前）則為四千一百萬港元。雖則引線框、散熱件及加強桿之需求上升，競爭仍然激烈。

集成電路裝配及測試服務

自樂依文於一九九九年十月成為聯營公司後，本集團在集成電路裝配及測試服務業務方面繼續由其位於法國之附屬公司ASAT S.A.進行。如附註2所示，本期間之營業額為九千八百萬港元，與備考業績相比下跌七百萬港元。ASAT S.A.現時之銷售僅佔本集團之營業額20%，而從備考基準計算，則為25%。這解釋了本集團銷往歐洲之比例由備考業績之19%相應地下降至13%之主要原因。雖然銷售下跌，但ASAT S.A.仍然錄得盈利貢獻五百萬港元，較

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

HK\$4 million over the pro forma results of HK\$1 million, as a result of improvements in production efficiencies.

Associates

Over the last six months, ASAT attained a record level of sales of over US\$100 million (approximately HK\$780 million) in each of the two quarters, together with a record level of 'income after tax before loss on early extinguishment of debt' of about US\$20 million (approximately HK\$156 million) for the latest quarter ended 31 October, 2000. In July, 2000, ASAT was listed on the NASDAQ National Market and the Company's interests in this associate was diluted from 50% to 42.6% and is the single largest shareholder in ASAT.

OUTLOOK

On 2 November, 2000 the Semiconductor Industry Association published its projection of global semiconductor sales, and forecast double-digit growth in the market for each of the years ending 31 December, 2003.

Following the completion of the move of the Group's leadframe stamping and mould and die manufacturing facilities to Shenzhen, China in March, 2000, the Group has achieved production quality and quantity standards comparable to the position prior to the move by July, 2000. The Group has also decided to expand its leadframe etching operation to Dongguan, China. The expansion and relocation of the etching operation is expected to be completed by the end of the next financial year ending 30 April, 2002 and is expected to reap benefits in the form of cost reduction and capacity increases.

EMPLOYMENT, TRAINING, DEVELOPMENT AND REMUNERATION POLICY

During the period, the Group continued to adopt a prudent approach towards the size of the workforce and remains committed to its staff training and development programs. Throughout the period under review the Group employed a total of approximately 1,700 employees.

The remuneration policy and package of the Group's employees are reviewed and approved by the Executive Directors of the Company. The remuneration packages are structured to take into account the level and composition of pay and the general market condition in the respective country and business in which the Group operates. Discretionary bonus and other merit awards including staff share options are linked to the profit performance of the Group and individual performance as recognition of and reward for value creation.

管理層討論及分析 (續)

備考業績一百萬港元增加四百萬港元，這是由於生產效率改善所致。

聯營公司

在過往六個月，樂依文在每季之銷售均錄得超過一億美元（約七億八千萬港元）水平，連同截至二零零零年十月三十一日止最近一季錄得「扣除提早償還債務之虧損前除稅後溢利」約二千萬美元（約一億五千六百萬港元）之收入。於二零零零年七月，樂依文在美國全國證券商自動報價協會系統（NASDAQ）國際市場上市，而本公司在此聯營公司之權益由50%攤薄至42.6%，並為樂依文之單一最大股東。

展望

於二零零零年十一月二日，半導體工業協會刊登其對全球半導體之銷售估計，預測市場於截至二零零三年十二月三十一日止各年度均有雙位數字增長。

隨著本集團之引線框印壓、工模及金屬模製造設施於二零零零年三月完成遷移往中國深圳後，本集團之生產質量及數量已於二零零零年七月達至遷移前之水平。本集團亦已決定在中國東莞擴充其引線框蝕刻業務。蝕刻業務之擴充及遷移預計於下一個財政年度截至二零零二年四月三十日止前完成。預期將會在減省成本及增加生產力方面令本集團受惠。

聘用、培訓、發展及薪酬政策

期間內，本集團繼續在員工數目方面採取審慎方針，及仍然著重對員工培訓及發展項目方面之承諾。在本期間內，本集團合共僱用約一千七百名員工。

本集團僱員之薪酬政策及組合由本公司執行董事審閱及批核。釐定薪酬組合時已考慮到酬金水平及繳付形式以及本集團所經營所在國家及業務之一般市場情況。酌情花紅及其他獎勵包括員工購股權均與本集團之盈利表現及個人表現掛鉤，以肯定及褒獎員工之貢獻價值。

CAPITAL EXPENDITURE

During the six months ended 31 October, 2000, the Group invested HK\$20 million (1999: HK\$8 million) in various plant and machinery in its leadframe operation, and HK\$6 million (1999: HK\$4 million) also in various plant and machinery in its assembly of integrated circuits and testing services operation in France. The Group's projected capital expenditure for the rest of the current financial year is estimated to be HK\$15 million, which is mainly for the initial payments towards the facilities construction and fitting out of the Group's etching operations to be set up in Dongguan. This will be financed primarily by internal resources.

FINANCIAL REVIEW

On 31 October, 2000, shareholders' funds of the Group has increased to more than double to HK\$1,474 million, when compared to the position half a year ago of HK\$575 million as at 30 April, 2000. Net current assets as at 31 October, 2000 were HK\$121 million, as compared to the net current liabilities of HK\$4 million as at 30 April, 2000. Similarly, the gearing ratio has also improved significantly to zero net debts as at 31 October, 2000, against a gearing ratio of 0.39 as at 30 April, 2000.

On 31 October, 1999 the Company crystallised various obligations under guarantees in respect of its former subsidiaries in UK. The balance of these obligations under guarantees outstanding as at 30 April, 2000 amounted to HK\$512 million, of which approximately four-fifths was denominated in UK pound sterling, and the rest in United States Dollar ("US\$"). With the exception of operating lease obligations and industrial grants which is currently recorded at HK\$93 million under current liabilities, all other indebtedness under an agreement with the UK Lenders was structured into a seven year term loan with first two years calling for payments of interest only, subject to certain conditions which trigger the prepayment of principal. Substantially all of the assets of the Group were under pledge to these UK Lenders for this term loan.

During the six months ended 31 October, 2000, with the cash generated from operations, the receipt of the additional consideration of HK\$193 million from the disposal of ASAT, and the strengthening of US\$ against the UK pound sterling, the Company has reduced its indebtedness by HK\$218 million to HK\$294 million. In August, 2000, the Company had started discussions with the UK Lenders as to a full prepayment of all the indebtedness for their agreement to release all the charges over the assets of the Group. This is expected to be finally

資本開支

於截至二零零零年十月三十一日止六個月，本集團在其引線框業務方面投資近二千萬港元（一九九九年：八百萬港元）於各種機器及設備上，而有六百萬港元（一九九九年：四百萬港元）在其位於法國之集成電路裝配及測試服務之各種機器及設備上。本集團在本財政年度之其餘時間預期資本開支為一千五百萬港元，大部份用於在本集團東莞設立之蝕刻業務設施興建及裝修之初期款項。資金需求將主要由內部資源撥付。

財務回顧

於二零零零年十月三十一日，本集團之股東資金較半年前（即於二零零零年四月三十日）之狀況五億七千五百萬港元增加超過一倍至十四億七千四百萬港元。於二零零零年十月三十一日之流動資產淨值為一億二千一百萬港元，相比二零零零年四月三十日之流動負債淨額則為四百萬港元。同樣，於二零零零年十月三十一日之負債比率亦大幅改善至無借貸淨額，而於二零零零年四月三十日之負債比率則為0.39。

於一九九九年十月三十一日，本公司就有關其前英國附屬公司而履行各項承擔擔保責任，該等尚未到期之承擔擔保責任於二零零零年四月三十日之餘額為五億一千二百萬港元，其中有約五份之四以英鎊為單位，其餘以美元（「美元」）為單位。除營運租約承擔及工業補助共九千三百萬港元已納入於流動負債外，所有其他債務概根據一項與英國借款人訂立之協議，為七年期之貸款，首兩年僅需如期繳付利息，惟受若干可引致要提前償還本金之條件所規限。大致上，本集團之所有資產均授此定期貸款而抵押予該等英國借款人。

於截至二零零零年十月三十一日止六個月內，來自經營業務所得現金、出售樂依文而收取額外代價一億九千三百萬港元及美元兌英鎊之強勢，本公司將其債務減少二億一千八百萬港元至二億九千四百萬港元。於二零零零年八月，本公司已開始與英國借款人對悉數償還所有債務以獲得彼等同意解除對本集團資產之所有抵押進行磋商，該項安排預期

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

completed by end of this year. The Company has commenced negotiations with various banks for new banking facilities.

During the period under review, proceeds from the issue of shares as a result of staff option exercised amounted to HK\$46 million, whereas HK\$33 million was used to buy back the Company's shares for cancellation.

FINANCIAL RISK MANAGEMENT

The Group's income and expenditure streams are mainly denominated in Hong Kong Dollar and US\$. Raw materials are usually sourced from Japan and arrangements have been reached with the suppliers that so long as US\$ to Japanese Yen fluctuations remained within a pre-determined range neither party can call for a revision to the prices offered. As the exchange risks are perceived as not material, no exchange rate hedging contracts have been entered into.

Payment terms with customers are largely on credit. Credit evaluations of debtors are performed periodically. Bad debts have been insignificant.

管理層討論及分析 (續)

將於本年年底完成。本公司已開始與多間銀行洽商新造銀行融資。

於本期間內，因員工行使購股權而發行股份所得款項為四千六百萬港元，及用三千三百萬港元以購回本公司股份予以註銷。

財務風險管理

本集團收入及開支方面主要以港元及美元為單位。原材料一般採購自日本而與供應商已作出安排，如美元兌日元在一個預定範圍內出現波動，則訂約方不會要求重新審訂價格。由於所預期的匯兌風險不高，故並無訂立任何外匯對沖合約。

與客戶訂立之付款安排主要以賒賬方式進行。對債務人會定期進行信貸審核。呆壞賬屬輕微。