

ELECTROPLATING EQUIPMENT BUSINESS (“PAL”)**Overall Market Situation**

The PCB market worldwide continued to contract during the period, with major closures in the USA and Europe. The general result was little new investment and an influx of used equipment on to the market. Nevertheless, PAL was successful in obtaining major contracts in Europe (Ruwel) and Tunisia (Fuba) as well as a number of orders, in Asia, particularly in Taiwan (Compeq), Thailand and China.

The Surface Finishing (SF) market also remained flat, although again a number of orders were obtained in India and China due mainly to the introduction of a new approach to this market, described under “Strategy”.

Strategy

The strategy adopted in response to the weak market situation has been to reduce overheads to achieve a sustainable level while the market continues to be depressed. A small reduction in staff numbers was made, but this was limited as the management strongly believes that the Company must maintain its “core competency” to enable it to take advantage of the future market upturn. In order to motivate staff to achieve objectives and to limit the Company’s exposure to high overhead, a proportion of each staff member’s remuneration is made dependent on results achieved by the Company and by teams within the Company. The target-oriented scheme was generally accepted by the staff as a better alternative than further lay-offs and has started to bring in positive result. The management is grateful to have our present working crew. They are very supportive and share our same vision.

A strategy was adopted to broaden PAL’s product range by seeking opportunities to produce equipment under license or joint venture agreements. To date the most successful of these has been with Marunaka of Japan, to build and sell exclusively outside Japan, their vertical in-line plater, which provides innovative solutions for the difficulties faced by PCB producers at the high-tech end of the market. This new machine type is particularly welcome in Taiwan. A lot of Taiwan listed PCB manufacturers are very satisfied with the plating result, some even repeat the order in less than 6 months’ time. So far ten orders have been received. Other arrangements, such as that with Hamada to produce reel-to-reel machines, are showing promise and further opportunities are continually being sought.

A Surface Finishing (SF) Group has been established within the company to concentrate exclusively on the marketing and project engineering for this important market sector, which in the past has tended to receive less attention within PAL than its traditional PCB market. The results of this initiative are already showing positively, in the form of several new orders for SF equipment.

電鍍設備業務 (「亞洲電鍍」)**整體市場狀況**

全球印刷電路板市場於期內繼續萎縮，歐美兩地多間電路板公司倒閉。因此，市場之新投資金額甚少，並充斥大批二手設備。然而，亞洲電鍍卻能成功在歐洲(Ruwel)及突尼斯(Fuba)取得重大合約，以及在亞洲，尤其是台灣(華通)、泰國及中國奪得多份訂單。

表面處理(表面處理)市場亦僅保持平穩，本集團在印度及中國亦奪得多份訂單，主要歸功於推行新的市場策略，詳情參閱「策略」一節。

策略

面對疲弱之市場環境，本集團採取積極策略，因應市場持續不振而減低經營成本以維持穩健狀況。由於管理層深信，公司必須保持「核心能力」，才可充份掌握日後市況好轉所帶來之機遇，故本集團只是有限度地略為減少員工人數。為推動員工達到目標及限制公司經常費用不會偏高，各員工的部份薪酬與公司及其部門之業務成績掛鉤。這目標為本的計劃已廣泛為員工接受，認為較再裁員為佳，並且產生了積極作用。管理層對現時員工團隊對集團長遠目標的支持和認同深感欣慰。

本集團亦採取策略，物色機會以特許或合營合作的協議形式生產設備，藉以擴大亞洲電鍍之產品種類。迄今，最成功之例子為與日本Marunaka合作，製造及在日本以外地區獨家銷售垂直連線電鍍機，這正好為高科技印刷電路板市場之生產商所面對之困難提供創新之解決方法。此新型機器於台灣特別受歡迎，眾多台灣上市印刷電路版製造商對電鍍效果都極為滿意，部分更於不足6個月內再重覆訂單。直至現時為止，本集團已取得十份訂單。此外，其他的協議例如與Hamada合作生產捲片式機器，亦進展理想，本集團將繼續物色其他類此商機。

本公司亦已成立一個表面處理小組，專注在此重要市場進行市場推廣及項目工程工作。過往亞洲電鍍較著重傳統之印刷電路板市場，但現行的主動策略卻已見成效，本公司已取得表面處理設備之若干新訂單。

Technology

Despite the continuing unfavourable market conditions, PAL has maintained its longstanding policy of investment in product development in an effort to stay ahead of its major competition, by continuously improving equipment design and performance. The New Technologies Department has been heavily involved in developing methods of plating micro-vias and copper-filled vias, two very important areas in the production of the new generation of high-tech PCB's for consumer electronics. The department also continues to provide plating guarantee support service for customers and carrying out the commissioning of equipment to provide the plating results which PAL guarantees.

The Product Engineering Group has been relocated to Shenzhen and has been engaged in a number of areas of improvement to present designs to reduce cost and increase efficiency of manufacture.

A new group – “New Product Development” – has been formed to concentrate on the engineering of new products such as the Marunaka and Hamada equipment mentioned above.

Future Outlook

After more than two years of contraction in the PCB industry, there are at last signs that the capacity of supply is coming into line with demand, producing positive moves in the direction of new capital investment. Technology changes (e.g. micro-vias and vias fill) are also driving a demand for more advanced equipment.

The SF market is also showing positive signs of improvement with major US and European companies looking to set up new factories in Asia.

The management, therefore, firmly believes that the strategies adopted over the last two difficult years have positioned the company well to take advantage of the improving market conditions and to return to profitability in the near future. The signing of the Closer Economic Partnership Agreement (“CEPA”) may bring us opportunities to sell domestically in China without setting up a local company in China. The management is now evaluating the feasibility.

WET PROCESSING EQUIPMENT BUSINESS (“IML”)

Our downstream customers are facing stagnant demands in their own market for the past two years and are therefore more conservative in committing to any new factory set up or investment in new machinery. To break the ice, we have to demonstrate our capability to build the most advanced machine that can help them to increase either their production quality or cost effectiveness. Towards the end of this financial year, our R&D team has launched a series of new designs which successfully attract the attention of our customers. The most well-receive design is the Upper Contactless Conveyor System (“UCCS”). Traditional conveyor system uses rollers on the top and bottom side to secure the position of the PCB. The disadvantage is leaving roller marks on the PCB. This new system has taken away the roller on the top side and thus solves the roller marks problem. This feature is a big step ahead in terms of improving the quality for processing thin panel PCB or thin lining PCB.

技術發展

雖然市況持續欠佳，但亞洲電鍍在產品開發方面繼續實行一貫之投資政策，藉著不斷改善設備之設計及性能，努力領先主要競爭對手。新科技部門亦致力開發微孔電鍍及盲孔鍍銅電鍍之方法，此為製造消費電子產品所需之新一代高科技印刷電路板之兩個非常重要之範疇。該部門亦繼續為客戶提供電鍍保證服務，為亞洲電鍍所保證之電鍍效果進行驗證。

產品工程部則已遷移至深圳，並負責就現有的設計進行多方面的改進，以減低成本及提高生產效率。

另一新部門－「新產品開發」－亦已成立，專注於上文所述Marunaka及Hamada設備等新產品的工程技術。

未來前景

印刷電路板行業經過兩年多以來一直萎縮，但終於有跡象顯示供應量與需求正日趨平衡，並引發新的資本投資。科技之革新(如微孔電鍍及盲孔鍍銅電鍍)亦正帶動市場對更先進設備之需求。

表面處理市場亦見好轉跡象，歐美兩地之主要公司正伺機在亞洲開設新廠房。

因此，管理層深信，在過往兩年困境下所採取之策略令公司可準備就緒，充份掌握市況好轉所帶來之機遇，並可望於不久將來重獲盈利。於更緊密經貿關係安排(「CEPA」)簽訂後，本集團有可能毋須在中國成立本地公司而可於國內進行銷售，管理層現正評估其可行性。

濕式處理設備業務(「亞智」)

在過去兩年，本集團之下游客戶本身亦面對需求呆滯之市況，因而在開設任何新廠房及投資新機器時亦更趨保守。為打破困局，本集團向客戶展示了製造最先進機器的能力，以助客戶提高其生產質素或成本效益。在本財政年度期末，本集團之研究及開發隊伍推出一系列新設計，成功吸引客戶之注意。最受市場歡迎之設計為無上壓滾輪的濕製程輸送系統(「UCCS」)。傳統之輸送系統使用頂部及底部之滾輪固定印刷電路板之位置，但此設計之弱點是會在印刷電路板上留下痕跡。新系統除去頂部之滾輪，故可解決滾輪留痕之問題。此特點能顯著提高處理薄板印刷電路板或細線路印刷電路板之質素。

The utilisation of the Shenzhen factory is greatly increased. Past effort to expand international sales by appointing agents also sets tone to ripe for new markets. We successfully obtained big contracts in Korea and Thailand.

We also broke ground for the FPD process equipment market. Our factory was qualified as an approved supplier by a couple of renowned TFT-LCD manufacturers and got four orders so far. In order to compete with the Chinese and Korean market players, some Japanese TFT-LCD manufacturers have formed alliance with Taiwanese manufacturers. The management believes that this trend will generate local demands for FPD process equipment market and the Company will be benefited eventually.

ENTERTAINMENT BUSINESS (“AVP”)

We continue to provide exciting and well-praised concerts for public enjoyment. To name a few which solicited crazy city-talks are “Deanie Ip in Concert”, “Vivian Lai Dreams Come True in Concert” and “Beyond Live 2003”. The “Beyond Live 2003” which was held in April 2003 was so successful that we repeated it in June 2003.

DISCONTINUING BUSINESSES

Satellite Telecommunication Business (SCL)

The market conditions remain poor and we expect the present condition will continue for at least another two to three years. This can be seen by the fact that there is no new player joining the field since the new license issuing policy. The new policy no longer requires the license applicant to commit any capital investment, yet there is no further license was issued under this inducement. The Management has therefore decided to terminate the operation in March 2003.

Stage Production Business (ANA)

The operation was terminated under mutual agreement amongst all shareholders.

The Company, Asia Nice Art Production Ltd, received a request from a shareholder who was also the General Manager of the Company to terminate the operation. The Company provided stage construction services in Hong Kong. Given the general poor economic situation in Hong Kong, the Group considered that it would be beneficial to the group shareholders because termination now would avoid any pitfall in future operation.

PROSPECT

In the past two years, the Directors were focusing in consolidating the Group's business portfolio and reducing the overhead in the Group. Certain business divisions which cannot generate profit in long term were either terminated or sold. Resources are maintained and channeled to core businesses. Cost structure was streamlined to commensurate with the present economic climate. New markets are being explored and new products are under-development. The Directors have done what need to be done to set everything ready for a market recovery. The Directors do believe that since a right strategy is set for each subsidiary group, each subsidiary group can emerge as one of the best companies in the field when the economic environment turns better.

深圳廠房之使用率大幅提高。過往藉委任代理以加強國際銷售所付出之努力亦為奪取新市場作好充分準備。本集團已成功在韓國及泰國取得大型合約。

本集團已開拓了FPD處理設備市場。本集團之廠房已被多間知名TFT-LCD製造商驗證為認可供應商，至今已接獲四份訂單。部份日本TFT-LCD製造商因與中國及韓國市場經營者競爭，經已與台灣製造商締結聯盟。管理層相信，此趨勢定會帶動FPD處理設備市場之本地需求，而本公司將最終受惠。

娛樂業務 (「恒藝」)

本集團繼續製作多個令人讚不絕口之演唱會，為大眾提供一級娛樂，當中包括全城矚目之「葉德嫻演唱會」、「黎瑞恩夢成真演唱會」及「Beyond Live 2003」。於二零零三年四月舉行之「Beyond Live 2003」演唱會獲得空前成功，因此，於二零零三年六月再度舉行。

不持續的經營業務

衛星通訊業務 (天城)

市況仍然疲弱，而本集團預期現況將再持續最少兩至三年。事實上，自從推行新發牌政策以來，並無新經營者加入此行業，足以印證市況惡劣。新政策不再規定牌照申請人需作出任何資本投資承擔，但即使在此誘因下，亦無任何牌照再度發出。因此，管理層亦決定在二零零三年三月停止此項業務。

舞台製作業務 (羚藝)

該項業務經全體股東互相協議而終止。

本公司羚藝亞洲廣告製作有限公司接獲一股東 (亦為該公司總經理) 要求終止公司業務運作。本公司是於香港提供舞台建造服務。鑑於香港經濟不景，本集團亦認為現時終止業務將可避免日後出現任何營運上的困難，這對集團股東亦有好處。

前景

於過去兩年，董事們專注於整固本集團業務組合及削減本集團之經常費用。若干長期未能產生盈利之業務已經結束或者出售。有關資源則保留及轉移至核心業務。成本結構亦已精簡以配合現時市場氣氛。另外，目前已開拓新市場並正開發新產品。董事們已為日後市場轉勢復甦所需的一切作出準備。董事們堅信，基於集團各附屬集團均已採取適當營業策略，當經濟情況轉好時，各附屬集團能夠突圍而出，晉身為行內一流公司。