

THE CHAIRMAN'S STATEMENT

Financial Results

I hereby announce that the Group's unaudited consolidated turnover has shown a 16% increase from approximately HK\$182 million in 2002 to approximately HK\$211 million in 2003. However, the gross profit margin has shown a slight increase from 24% in 2002 to 26% in 2003.

The reduction in loss from operations after exceptional items was mainly due to increase in turnover, various cost control measures undertaken by the management and as well as the continuous effort in pushing up the margin.

Basic loss per share for the period under review was 0.69 cents (2002 : basic loss per share 1.70 cents).

Interim Dividend

The Directors do not recommend the payment of an interim dividend (2002 : Nil).

Business Review

PAL GROUP (electroplating equipment and surface finishing equipment)

Just when we started to see the return of investment confidence in equipment market in the first quarter of 2003, the outbreak of SARS suddenly put all business activities into halt. Not only did some of the customers postpone their factory visits, others, especially the overseas ones, requested to postpone the scheduled installation until they had an overall evaluation. As a result, when the society at large came to understand this mysterious diseases more, all on-hold projects were released and all planned factory expansions were resumed with full speed. This explains why we have seen a sudden surge of orders in quarter three of 2003. In fact, our factory has been working full overtime since then.

主席報告

財務業績

本人謹此公佈，本集團之未經審核綜合營業額由二零零二年約1億8仟2百萬港元上升16%，至二零零三年約2億1仟1百萬港元。然而，邊際毛利率只由二零零二年之24%微升至二零零三年之26%。

扣除特殊項目後之經營虧損有所減少，主要由於營業額增加，加上管理層採取不同之成本控制措施，以及致力提高邊際利潤。

回顧期內之每股基本虧損為0.69仙（二零零二年：每股基本虧損：1.70仙）。

中期股息

董事不建議派付中期股息（二零零二年：無）。

業務回顧

亞洲電鍍集團（電鍍設備及表面處理設備業務）

當本集團開始看見投資信心於二零零三年第一季重來，非典型肺炎的突然爆發，令所有業務均停頓下來。若干客戶不單要求推遲彼等參觀廠房之日期，更有客戶（尤其是海外客戶）要求押後安裝之時間，以待彼等進行整體評估。因此，待社會對這種神秘之疾病有較多了解後，所有暫停之項目及所有廠房擴張計劃均已全速復工。這正好解釋二零零三年第三季訂單數目突然躍升之原因。事實上，本集團的廠房自第三季以來一直超時工作。

We regard the return of investment confidence this time as being sustainable, for a number of reasons:-

1. The massive shutdown of PCB factories in North America and West Europe has stopped. The production capacity of these regions is adjusted to a suitable level to match with the present market demand. In the last half of August, shipment of laminates went up abruptly and many large PCB manufacturers have increased their number of employees.
2. Electronic equipment growth has now resumed in all major areas. Western Europe and Taiwan PCB manufacturers are the first to benefit.
3. In order to increase circuit density, filled-vias by plating are in great demand. This emerge of new technology has generated new investment in equipment.
4. The strong US dollar in 2002 and the strong Euro in 2003 has forced global players to shift their production base to China or other "low cost" Asian countries and to a lesser extent Eastern Europe. During this relocation exercise, new investment in equipment is needed.

PAL is ready to capture this boom of demand. The strong Euro definitely works towards our advantage. Our New Technology Dept has successfully worked out the filled-vias technology through months of effort. The new machine "MCP-PAL" jointly developed with Marunaka is well received by the customers. We believe we have captured more than 80% market share in Taiwan as far as continuous vertical plating machine is concerned. Other markets for this technology are emerging rapidly and are being vigorously pursued. In addition, the Surface Finishing orders are generating good margin. We are presently working on several enquiries for POP (plating on plastics) equipment for automotive companies.

本集團認為是次投資信心重來是可持續的，原因如下：

1. 大量關閉位於北美及西歐之印刷電路版廠的現象經已停止。此等地區之生產量已調整至合適水平，以配合目前之市場需求。於八月下旬，層板之付運急升，很多大型印刷電路版製造商增聘人手。
2. 大部份電子設備儀器需求已重現增長。西歐及台灣之印刷電路版製造商首先受惠。
3. 為提高電路的密度，市場對盲孔鍍銅電鍍方法之需求殷切。這項新興之科技令廠家需於設備上投入新資源。
4. 美元於二零零二年一直高企，而歐元亦於二零零三年保持強勢，導致全球投資者將彼等之生產基地轉移至中國或其他成本較低之亞洲國家，亦有小部份轉移至東歐。在遷移廠房時亦需投資新設備。

亞洲電鍍已準備就緒，充份掌握需求激增帶來之商機。強勢之歐元無疑對本集團有利。經過多月來之努力，本集團之新科技部門已成功研製盲孔鍍銅電鍍法。新機種「MCP-PAL」乃與 Marunaka 聯手開發，深受客戶歡迎。相信在連續性垂直式電鍍機上，本集團在台灣已攫取超過八成之市場，此技術在其他市場上亦急速冒升，亦被全力追求。此外，表面處理之訂單亦帶來可觀之邊際利潤。本集團正處理數個汽車工業公司有關 POP（塑料電鍍）之查詢。

These developments allow us to be selective in accepting orders for “traditional” vertical plating machines, taking only those with good margin or which are strategically important.

We shall continue our strategy to broaden PAL’s product range by seeking opportunities to produce equipment under license or joint venture agreements. It is our long term drive to stay ahead in the industry and to provide good services to our customers.

IML Group (wet processing equipment for PCB and FPD markets)

The recovery of PCB market described above has definitely benefited IML as well. We received steady orders for the traditional wet processing equipment and customers are fighting for better delivery schedule.

As reported in last annual report, IML is qualified as an approved supplier by a couple of renowned TFT-LCD manufacturers. For six months only, IML has received over NTD150 millions orders to build Flat Panel Display (“FPD”) equipment. Due to the drive to produce low cost FPD, global players have shifted their production bases gradually from Japan and Korea to Taiwan. It is estimated that Taiwan will eventually take up 40% of world output. Several big factories are under construction and billions of fund are ready to be invested in it.

There are 6-7 major players in the FPD market and IML has been selling to the top three (CMO, CPT and Au Optromics). These top three customers represent almost 50% of Taiwan capacity. It is our intention to remain as the market leader through continuous investment in R&D. We believe that the processing equipment for FPD will emerge as one of the core income streams for IML.

此等發展讓本集團在「傳統」垂直式電鍍設備上，可選擇利潤可觀或策略性重要的訂單。

本集團繼續採取現有策略，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。本集團長期視保持在業內的領導地位及向本集團之客戶提供優質服務為其推動力。

亞智集團（印刷電路及 FPD 市場之濕式處理設備業務）

上述印刷電路市場之復甦亦無疑令亞智受惠。本集團就傳統的濕式處理設備接獲穩定的訂單數量，而客戶對付運貨品的需求甚殷。

如上年度年報所報告，亞智已被多間知名 TFT-LCD 製造商驗證為認可供應商。僅於六個月內，亞智已就製造平面版顯示器（「FPD」）設備接獲逾 150,000,000 新台幣之訂單。為生產低成本的 FPD，全球主要生產商將生產基地逐步由日本及韓國移師至台灣。估計台灣最終將佔全球產量之 40%。個別大型廠房經已動工興建，並將有數以十億計之資金投資於其中。

FPD 市場有 6 至 7 名主要生產商，而名列前三位者（奇美、友達及中華映管）皆為亞智之客戶，該首三位客戶佔台灣市場近乎 50% 之產量。本集團將繼續投放資源在研究及開發方面，以保持市場的領導地位。本集團相信 FPD 的濕式處理設備將成為亞智其中一項主要收入來源。

Other businesses

Our entertainment arm, Vigour Entertainment, continues to provide lively concerts to public. The next show is “12 girls band” to be held in mid January 2004. Timber trading business continues as normal.

In order to consolidate resources for our equipment businesses, we have sold our shareholding interest in wind generator in November and discontinued the rectifier assembly factory in Beijing.

Financial Review

Capital Structure, Liquidity And Financial Resources

As at 30th September 2003, the Group had net assets of approximately HK\$126.5 million. The gearing ratio was 61.6% (31st March, 2003: 58.6%). This gearing ratio is calculated by dividing total liabilities of HK\$282.39 million (31st March, 2003: HK\$304.26 million) over total assets of HK\$458.13 million (31st March, 2003: HK\$519.15 million).

As at 30th September 2003, the Group had bank balances and cash on hands of approximately HK\$22.65 million, net current assets value of approximately HK\$15.55 million, bank overdrafts of HK\$0.49 million, short-term borrowings of HK\$77.25 million and long-term borrowings of HK\$24.74 million. The total borrowings was therefore HK\$101.99 million, slightly increase by HK\$5.54 million from the balance as at 31st March, 2003.

Most of the bank borrowings is charged at prevailing market rate in the countries where the Company's subsidiaries are operating in.

其他業務

本集團專營娛樂業務之子公司恒藝娛樂繼續為大眾提供精彩絕倫的演唱會。下一項演出為二零零四年一月中舉辦的「十二女子樂坊」。而木材貿易業務維持正常。

為鞏固本集團於設備業務的資源，本集團已於十一月出售風力發電業務之股份權益，並終止於北京的整流器組裝廠房。

財務回顧

資本結構、流動資金及財務資源

於二零零三年九月三十日，本集團之資產淨值約達126,500,000港元。負債比率為61.6%（二零零三年三月三十一日：58.6%）。此負債比率乃將總負債約282,390,000港元（二零零三年三月三十一日：304,260,000港元）除以總資產約458,130,000港元（二零零三年三月三十一日：519,150,000港元）而計算所得。

於二零零三年九月三十日，本集團之銀行結餘及手頭現金約達22,650,000港元、流動資產淨值約為15,550,000港元、銀行透支約為490,000港元、短期貸款約為77,250,000港元及長期貸款約為24,740,000港元。因此，借款總額約達101,990,000港元，較二零零三年三月三十一日略為上升5,540,000港元。

大部份銀行借款乃按本集團附屬公司經營所在國家之現行利率計息。

As at 30th September 2003, the Group has pledged its land and buildings in PRC and Taiwan with an aggregate net book value of approximately HK\$122 million (31st March, 2003: HK\$126 million) and bank deposits of approximately HK\$2.4 million (31st March, 2003: HK\$0.3 million) to secure banking facilities of the Group.

Most of the assets and liabilities in the Company were mainly dominated in US dollars and HK dollars. Since HK dollars are backed against US dollars, the Group is subject to low risk of foreign exchange exposure.

Contingent Liabilities

As at 30th September, 2003, the Company had guarantee of approximately HK\$14 million (31st March, 2003: HK\$14 million) to a bank in respect of banking facilities granted to a subsidiary of the Company. The amount utilized by the subsidiary was approximately HK\$8.8 million (31st March, 2003: HK\$12.7 million).

As at 30th September, 2003, the Group did not have any material contingent liabilities.

On behalf of the Board, I would like to thank our customers, bankers, suppliers and friends for their kind support and to thank especially our staff at all levels for their contribution and commitment over the period.

By order of the Board
Lam Kwok Yan
Chairman

Hong Kong, 23rd December, 2003

於二零零三年九月三十日，本集團已將賬面淨值合共約 122,000,000 港元（二零零三年三月三十一日：126,000,000 港元）之中國及台灣之土地及樓宇連同銀行存款約 2,400,000 港元（二零零三年三月三十一日：300,000 港元）抵押，以獲取本集團之銀行信貸額。

本集團大部份資產及負債主要以美元及港元為單位。由於港元與美元掛鈎，故本集團所面對之匯兌風險甚低。

或然負債

於二零零三年九月三十日，本公司就本公司一間附屬公司獲授之銀行信貸額提供擔保約 14,000,000 港元（二零零三年三月三十一日：14,000,000 港元）。該附屬公司已動用之款額約為 8,800,000 港元（二零零三年三月三十一日：12,700,000 港元）。

於二零零三年九月三十日，本集團並無任何重大或然負債。

本人謹代表董事會全人感謝各客戶、往來銀行、供應商及友好所給予之支持，並特別對本集團各級員工於期內作出之寶貴貢獻及努力，致以謝忱。

承董事會命
主席
藍國恩

香港，二零零三年十二月二十三日