

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

There can't be anyone in the PCB electroplating industry saying “what a marvellous few years we've had”! The mood however is changing. After two plus years of difficult times, we can finally see the prospect of a greatly improved market for PAL products, driven by a strengthening world economy and by important technology developments. Although PAL Group is still reporting a loss for the nine months ended 31st December 2003, the factory is busier than at any time for many months, with a full order book for the foreseeable future. We are confident to report a profit for the coming period.

In last annual report, we reported that we adopt the strategy to broaden PAL's product range by seeking opportunities to produce equipment under license or joint venture agreements. We also reported the successful co-operation with Marunaka of Japan whereby we build and sell exclusively outside Japan their vertical in-line plater. After months of hard works, this new product has today accounted for approximately 35% of PAL's total turnover and was the center of attention for many exhibitions we participated - the TPCA in Taipei, the CPCA in Shanghai, the JPCA in Tokyo and Productronica in Munich. Our engineers in the New Product Development Department are now embarking on a programme of development and enhancement of the MCP equipment, adding new features and adapting the concept for new applications. With the growing features, we expect this new product will account for over 40% of PAL's total turnover in the coming reporting period.

Another reason for the present healthy order book at PAL has been the success of its recently formed Surface Finishing Group, which has made large strides towards making PAL's name known as a major supplier of equipment to the various surface finishing industries, in addition to its more traditional PCB market. Indeed, we have seen some ‘electronically inclined’ customers, like Honeywell and Molex, join the ever-growing number of companies using our machines for surface finishing tasks.

Strategy – Technology

During the lean years, when costs in many areas had to be cut, PAL kept faith with its long-standing policy of continuous development. The New Technologies Department and our relatively new New Product Development Department were maintained at full strength throughout the period. It is now that we are seeing the benefits of this decision. The main areas of development have centred round the trend toward in-line vertical plating and the PCB industry's desire to fill ‘Blind Vias’ by electroplating techniques.

電鍍設備業務（「亞洲電鍍」）**市場整體狀況**

相信無人會否認，印刷電路板電鍍行業過去幾年一直艱苦經營。然而，行業氣氛正在轉變。經過逾兩年之艱辛日子後，本集團終於看見亞洲電鍍之產品市場，出現顯著改善之前景，這主要由環球經濟轉強及科技上的重大發展所帶動。儘管亞洲電鍍集團於截至二零零三年十二月三十一日止九個月仍錄得虧損，但工廠卻呈現多月未見之繁忙情況，並已為未來一段時間接獲足夠訂單。管理層甚有信心可於下一個期間取得溢利。

吾等於上一份年報曾匯報，集團已採納新策略，物色機會以特許或合營合作的協議形式生產設備，藉以擴大亞洲電鍍的產品種類。吾等亦報告了成功與日本Marunaka合作，製造及在日本以外地區獨家銷售其垂直連線電鍍機。經過多月努力，此項新產品現佔亞洲電鍍總營業額約35%，並於本集團參與之各個展覽會（台北的TPCA、上海的CPCA、東京的JPCA和慕尼黑的Productronica）會上廣受注目。集團新產品開發部屬下之工程人員現正全力開發及提升全新MCP設備，致力引進新元素及將概念套用於新的應用上。集團預期，新增之功能將令此項新產品於下一個呈報期間佔亞洲電鍍總營業額逾40%。

亞洲電鍍近期訂單情況理想之另一原因，為新近成立之表面處理小組業務發展成功，令亞洲電鍍在傳統印刷電路板市場以外，建立其作為各類表面處理行業之主要設備供應商之名聲，向前邁進了一大步。事實上，已有部份靠近電子行業之客戶（如Honeywell及Molex）選用本集團之機器進行表面處理工序。表面處理之公司客戶數目正在增加。

策略－科技

過去數年，因市場不景氣，多方面須削減成本，但亞洲電鍍仍堅守持續發展之長期策略。期內，集團之新科技部門與較近期成立之新產品開發部仍然全面運作，集團現在看到了此一決定所帶來之利益。開發工作之主要範疇圍繞連線垂直電鍍之趨勢，以及印刷電路板行業希望以電鍍技術鍍製「盲孔」之目標。

When we devise our product improvement programme for the in-line vertical plating, we normally work hand by hand with our prestigious customers to ensure that the effort spent today is what the market waits for. Some of the projects are such leading edge ones, for specific customers, that our lips must remain firmly sealed!

The technology for Via Filling has been developed by the New Technologies Department, in conjunction with major chemical suppliers. Much of the success of the process depends on highly specialised fluid handling systems, which have been developed by New Technologies Department for both in-line and traditional vertical transporter machines.

Strategy – Marketing

While the recovery in 2003 is limited to some countries and region, we would expect that 2004 will be a very good year for all regions in the world. However, the production volume has shifted to Asia Pacific region. It is speculating that China will overtake Japan as the number one PCB making country by 2007. It was once said that Eastern Europe and Mexico could serve as a low-cost manufacturing base for European PCB factories and American PCB factories respectively. The reality is these regions are still too costly in comparison to China. Brazil and India are emerging but their governments are not helping by imposing huge import duty. As such the present trend of having more and more foreign transplants in China will continue.

To capture this growing market, a new company called “Process Automation (China) Ltd” was formed and a new block of factory was rented to develop local sales in the PRC market. At present, Process Automation (Shenzhen) Ltd, the existing production base for the PAL Group is restricted to operate export sales only. The new local sales factory is very close to the existing one, only 10 minutes drive away, and will be ready for production in May.

FPD PROCESS EQUIPMENT & WET PROCESSING EQUIPMENT BUSINESS (“IML”)

We reported in last annual report that we have broken into the FPD process equipment market and received orders of NT\$172 million last year. Only HK\$5.5 million orders were shipped by December 2003. It means that profit for the rest of the orders will be booked in year 2004. This year, we have received further orders of NT\$205 million from another customer.

本集團進行連線垂直電鍍產品改進計劃時，通常會與集團之知名客戶合作，確保集團所作努力能滿足市場真正需要。因部份計劃涉及尖端技術並為特定客戶進行，故未能在此透露有關詳情。

鍍製導孔技術由新技術部門聯同主要化工用品供應商開發。此程序之成功很大程度倚靠高度專門流動處理設備。該等設備乃新技術部門為連線及傳統垂直傳輸機而開發。

策略－市場推廣

儘管於二零零三年，復甦僅在部份國家和地區出現，惟本集團預期二零零四年對全球所有地區而言均會是美好的一年。然而，生產量已轉移至亞太地區，並推測中國將於二零零七年取代日本成為生產印刷電路板最大國家推測已經出現。曾有意見認為，東歐和墨西哥分別可作為歐洲印刷電路板廠商及美國印刷電路板廠商之低成本生產基地，事實上該等地區之成本與中國比較仍過於昂貴。巴西和印度正在冒起，但兩國政府對進口徵收重稅，對其發展並無幫助。因此，現時愈來愈多外國生產商前往中國設廠之趨勢將會持續。

為要在此快速增長之市場分一杯羹，集團已成立一家名為寶盈科技（深圳）有限公司之新公司，並租入一座新廠房以供發展中國內銷市場。目前，亞洲電鍍集團之現有生產基地寶龍自動機械（深圳）有限公司僅可經營出口銷售之業務。新成立之本地銷售廠房鄰近現有基地，相隔僅十分鐘車程，並可於五月投產。

平面式顯示屏處理設備及濕式處理設備業務（「亞智」）

集團於上年度年報呈報，集團已進軍平面式顯示屏處理設備市場，並於去年接獲172,000,000新台幣之訂單。截至二零零三年十二月，集團只運送了5,500,000港元之訂單。換言之，從其餘訂單所得之溢利將記錄於二零零四年賬目內。於本年度，集團從另一位客戶中進一步獲取205,000,000新台幣之訂單。

Our R&D team is now working days and nights on the sixth generation design. Unlike PCB where most of the design specifications are different for each customer order, FPD orders are almost identical and the customers tend to place repeated orders soon after they grant acceptance on the first machine shipped. Because of this very nature, IML is able to enjoy economy of scale and hence lifting up the general gross margin.

As far as wet processing equipment is concerned, the recovery of PCB industry also benefits IML. Nevertheless, the benefit of this recovery can only be seen in year 2004.

ENTERTAINMENT BUSINESSES (“VEC”)

Our entertainment arm will continue to provide exciting and well-praised concerts for public enjoyment. “Song God in Concert” by Sam Hui will be held in June and is expected to become the hits of the city talk.

The timber trading and audio and lighting equipment renting business continue to contribute operating profit and cash to the Group.

CHANGE OF ACCOUNTING YEAR END DATE

Since the major subsidiaries in the Group are situated in Hong Kong, PRC and Taiwan and since it is statutory required in PRC and Taiwan to have accounting year end in 31st December, the Board has decided on 23rd December 2003 to change the Group's accounting year end from 31 March to 31 December. This new arrangement will save additional audit fees and manpower involved to organize a special audit in March each year for subsidiaries incorporated in PRC and Taiwan.

PROSPECT

The strategy adopted in past two years – to consolidate business portfolio, reduce the overhead in the Group and channel resources to core businesses - starts to bring result and benefits to the Group. While we are optimistic over the outlook in the future, we remain alert over the development of Renminbi revaluation and its impact on the Group.

集團之研發隊伍現時就第六代設計日夜不停工作。大部份印刷線路板之指定設計規格均因應個別客戶之訂單而有所不同，而平面式顯示屏之訂單則幾乎相同，而客戶一旦接納首台運送之機器後，大多傾向於定下相同之訂單。基於此種性質，亞智可享有經濟規模效益，因而提升總體之毛利。

就濕式處理設備而言，印刷線路板行業復甦令亞智獲益。可是，因印刷線路板所帶來之收益僅可體現於二零零四年度。

娛樂業務（「恒藝娛樂」）

集團之娛樂業務將繼續製作多個別開生面及令人讚不絕口之演唱會，為大眾提供一級娛樂。許冠傑「盈科保險繼續微笑會歌神LIVE」演唱會將於六月舉行，預料成為城中熱門話題。

木材貿易業務以及音響及燈光設備租賃業務繼續為本集團帶來經營溢利及現金。

更改會計年度年結日

由於本集團之主要附屬公司均位於香港、中國及台灣，加上中國及台灣之法例規定會計年度年結日為十二月三十一日，故董事會決定於二零零三年十二月二十三日將本集團之會計年度年結日由三月三十一日更改為十二月三十一日。此項新安排除可節省額外之核數費用外，還可省卻就每年三月份為於中國及台灣註冊成立之附屬公司安排特別審核工作所涉及之人力物力。

前景

集團於過去兩年一直奉行整固業務組合、削減經常費用及調配資源至核心業務之策略，此等策略開始為集團帶來成果及得益。儘管集團對未來前景表示樂觀，但仍然留意人民幣重新定價之進展，及據此對本集團之影響。