

CHAIRMAN'S STATEMENT

Financial Results

The Group's unaudited consolidated turnover has shown a 64% increase from approximately HK\$210.5 million for the six months ended 30 September 2003 ("the Previous Period") to approximately HK\$345.2 million for the six months ended 30 June 2004 ("the Period Under Review"). The net profit for the Period Under Review was HK\$43.4 million compared to a loss of HK\$38.0 million for the Previous Period, a record improvement.

The basic earnings per share for the Period Under Review was HK15.7 cents (the Previous Period: basic loss per share HK13.7 cents). The diluted earnings per share for the Period Under Review was HK14.0 cents (the Previous Period: N/A).

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (the Previous Period: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

PAL Group (electroplating equipment and surface finishing equipment)

The turnover for the Period Under Review was HK\$264.6 million representing a record growth of 142% compared to the Previous Period. The operating net profit was HK\$40.8 million for the Period Under Review compared to HK\$2.2 million for the Previous Period. The turnaround is greatly attributable by the regain of consumer confidence since quarter three of 2003.

The shift to high density interconnect (HDI) in Asian-pacific region has forced the customers to replace their machinery. Our newly launched machine MCP-PAL provides a cost effective solution to our customers. As the MCP-PAL is a continuous in-line processing machine,

主席報告

財務業績

本集團之未經審核綜合營業額，由截至二零零三年九月三十日止六個月（「去年同期內」）約港幣210.5百萬元上升64%，至截至二零零四年六月三十日止六個月（「回顧期內」）約港幣345.2百萬元。回顧期內之淨溢利為港幣43.4百萬元，較去年同期內之港幣38.0百萬元虧損，有顯著改善。

回顧期內之每股基本盈利為港幣15.7仙（去年同期內：每股基本虧損為港幣13.7仙）。回顧期內之每股攤薄盈利為港幣14.0仙（去年同期內：不適用）。

中期股息

董事不建議派付截至二零零四年六月三十日止六個月之中期股息（去年同期內：無）。

管理層討論及分析

業務回顧

亞洲電鍍集團（電鍍設備及表面處理設備）

回顧期內之營業額為港幣264.6百萬元，較去年同期內增加142%。回顧期內之經營淨溢利為港幣40.8百萬元，去年同期內則為港幣2.2百萬元。營業額的好轉主要由於自二零零三年第三季起客戶恢復信心所致。

亞太區轉向高密度連接板(HDI)，驅使客戶替換機器。亞洲電鍍集團新推出之MCP-PAL機種向客戶提供具成本效益之解決方案。由於MCP-PAL為持續連線加工機器，各層板均按相同電鍍條件，故使

every panel is subject to the same plating conditions, giving greater consistency than in the traditional plating equipment. This machine type is so successful that it alone represents close to 50% of our electroplating sales. Since its launch in March 2003, we have added various new features to it. All these innovative ideas came not just from our New Technologies ("NT") and New Product Development ("NPD") teams but also from our life-long customers. Since we are able to deliver advanced solutions and technology, our customer list includes most of the top market players in their respective fields.

In 2003, we reported that a Surface Finishing Group was established to concentrate exclusively on the marketing and project engineering for this market sector. This move was made when the Company was facing a quiet season. However, with the mighty drive of the team, the business ramps up so quickly that the business revenue generated from this team represents close to 20% of the electroplating sales. Our customers are now giving great pressure to our sales team for quotes and for finalizing technical specification. The busy period is brought by the trend that major automotive makers are setting up plants in India, China and South-East-Asia countries. They want to be close to their potential customer groups as they believe the increasing general income level in these countries means purchasing force in buying new motor-cycles and cars. By the time this report reaches you, we will be shipping a machine which is worth US\$3 millions to a Japanese customer who sets up a car factory in Wuxi. While business pace in US and Europe remain slow in printed circuit boards, it is not so in the surface finishing industries where a number of major projects are coming to fruition.

As reported in the announcement dated 2 February 2004, we have rented a new factory building for local sales in the PRC market. A company is formed named Process Automation (China) Ltd. This new factory is only 10 minutes drive from the existing one. The total floor area is approximately 4,900 sq.m.

成品質量較傳統電鍍設備穩定及一致。此類機種相當成功，單是本身一項便佔電鍍銷售額之半。自二零零三年三月推出以來，已加入多種新功能。所有創新意念不單來自新科技及新產品開發小組，也來自長期客戶之啟迪。由於亞洲電鍍集團能夠提供先進之解決方案及技術，故客戶群中不乏各領域中之翹楚公司。

於二零零三年，集團報告已成立表面處理小組，專注於此市場之市場推廣及項目工程。計劃乃於公司淡季時出爐。然而，憑著小組隊員無比幹勁，業務發展迅速，使得來自該小組之業務收入佔電鍍銷售額之20%，而客戶正不斷要求銷售小組報價及落實技術規格。各大車廠在印度、中國及東南亞國家設廠成風並為集團帶來了旺季。該等車廠相信以上國家整體收入水平不斷提高，將催生購買新摩托車及汽車之購買力，故實行在當地設廠以接近潛在客戶群。本報告送到閣下手時，亞洲電鍍集團將正付運一台價值美金3百萬元之機器予一名在無錫設有車廠之日本客戶。歐美業務在印刷電路板方面進展仍舊緩慢，反而表面處理工業的情況則剛剛相反，多個大型項目將取得成果。

如於二零零四年二月二日之公佈所述，亞洲電鍍集團已租入一幢新廠房作發展中國內銷市場之用，並成立了寶盈科技(深圳)有限公司。新廠房距離現廠房僅10分鐘車程，總樓面面積約4,900平方米。

Our long-term commitment to investing into new technologies continues. We have increased the workforce by 50% in our NT and NPD departments when our overall workforce is increased by 30%.

The general problem of electricity shortage in Mainland China does not affect us much. Our factory was set up in Longhua Industrial Zone, which is a well planned and well established industrial area. Even though our factory is subject to one day shut down, with the back up generator, our factory is still operating full week. The increase in oil price does have an effect on our material cost but through effort of our purchasing team, the effect is controlled to a minimal.

We believe that the demand of printed circuit board has gradually stabilized. 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 excellent services to our customers.

Other Businesses

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

Although IML ceases to be the subsidiary for the Group during the Period Under Review, its turnover still represent approximately 15.6% of the Group turnover upto the date of disposal. Incorporated in the Group net profit for the period was approximately HK\$6 million attributable to IML. Our market shares in the FPD equipment is growing and we will remain as the biggest handling equipment provider in Taiwan.

亞洲電鍍集團貫徹著投資新技術之長期承諾，並已為新科技部及新產品開發部增加50%人手，而整體人手亦增加了30%。

中國大陸常見之電力短缺問題對本集團影響不大，因亞洲電鍍集團之廠房設於規劃完善及發展成熟之龍華工業區，即使廠房須停電一整天，後備發電機即可投入使用，確保工廠整星期不停運作。油價上漲對原料成本確有影響，倅在採購小組努力下，有關影響得以減到最低。

本集團相信，印刷電路板之需求漸趨穩定。亞洲電鍍集團將繼續既定策略，通過物色機會以特許或合營合作之協議形式生產設備，藉以擴大亞洲電鍍的產品種類。領先同業，為客戶提供超卓服務，乃長期驅使亞洲電鍍集團進步之動力。

其他業務

亞智集團 (印刷電路板之濕式處理設備及平面式顯示屏市場)

亞智於回顧期內雖不再為本集團之附屬公司，惟截至出售日期，其營業額仍佔本集團營業額約15.6%。計入本集團期內淨溢利中有約港幣6百萬元來自亞智。亞智於平面式顯示屏市場的佔有率繼續增長，並維持為台灣處理該設備之最大供應商。

Timber Trading

The Timber trading business continues as normal and is bringing in positive cashflow to the Group.

Outlook

With the return of consumer confidence in spending, the demand in consumer and telecommunication products will drive the demand of PCB upwards and our downstream customers would require new electroplating equipment to meet its increased productions requirement. In addition, with the strong Euro and high manufacturing cost in Japan, a lot of companies decide to relocate their manufacturing bases in Europe and Japan to developing countries such as China, India and Vietnam. This will bring enormous opportunities to our electroplating and plating equipment business. Although the general interest level in most of the countries is expected to increase, the increased percentage will be moderate. As such, there should not be any material negative effect on the investment sentiment of our customers. We are fairly optimistic that the Group will continue to generate steady profit for the rest of the year.

Material disposal of subsidiaries and associates

On 27 January 2004, the Group entered into a sale agreement to dispose 8.6 million shares in Intech Machines Company Limited (the "IML") at NT\$8.5 (equivalent to about HK\$2.024) per share. IML is incorporated in Taiwan with limited liability and the shares of which are listed on the Stock Exchange of Taiwan. It is principally engaged in the design, manufacture, and sale of custom built horizontal wet processing equipment and other automation machinery. Before the disposal, the Group held approximately 50.02% interest in IML and accounted for the interest in IML as subsidiary in its

木材貿易

木材貿易業務繼續正常營運，並為本集團帶來現金收益。

展望

隨著消費者回復消費信心，消費及電訊產品之需求將帶動印刷電路板之需求上升，而下游客戶將需要新電鍍設備以符合增產要求。此外，歐元強勢及日本生產成本高昂，迫使大批公司決定將其於歐洲及日本之生產基地重置到中國、印度及越南等發展中國家。此形勢將造就本集團電鍍設備業務之龐大商機。雖然，大部分國家之整體踴躍程度預期會有增加，惟增長百分比將僅為溫和。因此，對本集團客戶之投資氣氛應不會有任何重大不利影響。本集團對於年內餘下時間將繼續產生穩定之利潤，頗為樂觀。

附屬公司和聯營公司之重大出售

於二零零四年一月二十七日，本集團簽訂一份銷售協議，以每股新台幣8.5元（即約港幣2.024元）出售亞智科技股份有限公司（「亞智」）之8.6百萬股。亞智是在台灣成立的有限公司，其股份於台灣聯合交易所上市。亞智主要從事按客戶需求而設計，製造和銷售之水平式濕式處理設備和其他自動設備。於出售前，本集團持有亞智約50.02%權益，該權益在財務報表內列作附屬公司權益。當出售協議完成，即二零零四年四月一日，本集團持有亞智約

financial statements. Upon completion of the sale agreement, which was 1 April 2004, the Group held approximately 30.8% interest in IML and as such IML ceases to be a subsidiary of the Group and its results will cease to be consolidated in the accounts of the Group immediately following the completion of the transaction.

In May and June 2004, the Group had further disposed 995,000 shares in IML in the open market. The Group currently holds approximately 28.6% interest in IML and accounts for the interest in IML as an associate in its financial statements using equity method.

On 19 January 2004, the Group entered into an agreement to dispose 40 shares in Asia Vigour (Holdings) Limited (the “AVPH”) for a consideration of HK\$2.5 million. The 40 shares in question represent 40% interest in AVPH. AVPH is an investment holding company and its only asset is a wholly owned subsidiary named Vigour Entertainment Company Limited (the “VEC”). VEC is principally engaged in the business of promoting and organizing live concert shows. According to the agreement, the Group was required to dispose 18 shares in AVPH to one of the key management members in VEC before the completion (the “Management Sale Shares”). The Management Sale Shares represent 18% interest in AVPH and was disposed on 17 February 2004. On 5 March 2004, the Group completed the disposal of 40 shares in accordance with the terms of the agreement. Before the disposals, the Group held 100% interest in AVPH and accounted for the interest in AVPH as subsidiary in its financial statements. After the disposals, AVPH ceases to be a subsidiary of the Group and its results will cease to be consolidated in the accounts of the Group immediately following the completion of the transactions.

The Group currently holds approximately 42% interest in AVPH and accounts for the interest in AVPH as an associate in its financial statements using equity method.

30.8%權益，而亞智不再為本集團之附屬公司，在交易完成後，其業績亦即時不再合併於本集團之賬目內。

於二零零四年五月及六月，本集團進一步在公開市場出售亞智之995,000股。本集團現時持有亞智約28.60%權益，並以權益法在財務報表列作聯營公司權益。

於二零零四年一月十九日，本集團簽訂一份協議，出售於Asia Vigour (Holdings) Limited (「AVPH」)之40股，作價為港幣2.5百萬元。該40股佔AVPH之40%權益。AVPH是一間投資控股公司，其唯一資產是全資附屬公司恒藝娛樂有限公司（「恒藝娛樂」）。恒藝娛樂主要從事推廣和主辦演唱會業務。根據協議，本集團須在協議完成前給予恒藝娛樂一主要管理人員AVPH之18股（「管理層銷售股份」）。管理層銷售股份佔AVPH之18%權益，並於二零零四年二月十七日完成轉讓。於二零零四年三月五日，本集團根據協議之條款完成出售AVPH之40股。於完成出售及轉讓前，本集團持有AVPH之100%權益，該權益在財務報表列作附屬公司權益。於完成出售及轉讓後，AVPH不再為本集團之附屬公司，其業績於完成交易後亦即時不再合併於本集團之賬目內。

本集團現時持有AVPH約42%權益，並以權益法在財務報表內列作聯營公司權益。

Financial Review

Capital Structure, Liquidity and Financial Resources

As at 30 June 2004, the Group had net assets of approximately HK\$183.2 million. The gearing ratio was 57.4% (31 December 2003: 60.6%). This gearing ratio is calculated by dividing total liabilities of HK\$262.1 million (31 December 2003: HK\$275.1 million) over total assets of HK\$456.3 million (31 December 2003: HK\$454.0 million).

As at 30 June 2004, the Group had approximately \$78.9 million of cash on hand, net current assets value being approximately HK\$101.8 million, short-term bank loan amounted to HK\$16.2 million, convertible note amounted to HK\$30 million and obligations under finance leases approximately HK\$0.6 million. The total borrowing was therefore HK\$46.8 million, a decrease from 31 December 2003 of \$86.6 million.

As at 30 June 2004, the Group has pledged its land and buildings in PRC with an aggregate net book value of approximately HK\$44.3 million (31 December 2003: HK\$44.8 million) and bank deposits of approximately HK\$4.5 million (31 December 2003: HK\$3.6 million) to secure banking facilities of approximately HK\$26.5 million (31 December 2003: HK\$26.5 million) to the Group. Out of the facilities available, the Group has utilised approximately HK\$11.8 million as at 30 June 2004.

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

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

財務回顧

資本結構、流動資金及財務資源

於二零零四年六月三十日，本集團之資產淨值約達港幣183.2百萬元，負債比率為57.4%（二零零三年十二月三十一日：60.6%）。此負債比率乃將總負債約港幣262.1百萬元（二零零三年十二月三十一日：港幣275.1百萬元）除以總資產港幣456.3百萬元（二零零三年十二月三十一日：港幣454.0百萬元）。

於二零零四年六月三十日，本集團之手頭現金約達港幣78.9百萬元、流動資產淨值則約達港幣101.8百萬元、短期銀行貸款約達港幣16.2百萬元、可換股票據約達港幣30.0百萬元及融資租賃之責任約達港幣0.6百萬元。因此，借款總額為港幣46.8百萬元，較二零零三年十二月三十一日之港幣86.6百萬元減少。

於二零零四年六月三十日，本集團已將賬面淨值約港幣44.3百萬元（二零零三年十二月三十一日：港幣44.8百萬元）於中國之土地和樓宇連同銀行存款約港幣4.5百萬元（二零零三年十二月三十一日：港幣3.6百萬元）抵押，以獲取本集團約港幣26.5百萬元（二零零三年十二月三十一日：港幣26.5百萬元）之銀行信貸額。於二零零四年六月三十日，於可供使用的信貸額中，本集團已運用了約港幣11.8百萬元。

大部份銀行借款乃按本公司附屬公司經營所在國家之現行利率計息。

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。

Contingent Liabilities

As at 30 June 2004, the Company had guarantee of approximately HK\$19.0 million (31 December 2003: HK\$19.5 million) to a bank in respect of banking facilities granted to a subsidiary of the Company. The amount utilised by the subsidiary was approximately HK\$0.3 million (31 December 2003: HK\$9.6 million).

Employees and Remuneration Policies

As at 30 June 2004, the Group had approximately 710 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. Other employee benefits included pension fund, insurance and medical coverage.

Appreciation

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, 6 September 2004

或然負債

於二零零四年六月三十日，本公司就一間附屬公司獲授之銀行信貸額提供約港幣19.0百萬元（二零零三年十二月三十一日：港幣19.5百萬元）擔保。該附屬公司已運用了約港幣0.3百萬元之信貸額（二零零三年十二月三十一日：港幣9.6百萬元）。

僱員及薪酬政策

於二零零四年六月三十日，本集團擁有約710名僱員。僱員薪酬是根據其表現、經驗和行內慣例而釐定。而與表現掛鈎的花紅是酌情發放的。至於其他僱員福利包括退休金計劃、保險和醫療保障。

致謝

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貢獻及努力，致以謝忱。

承董事局命

主席

藍國恩

香港，二零零四年九月六日