

MANAGEMENT DISCUSSIONS AND ANALYSIS

管 理 討 論 及 分 析

ELECTROPLATING EQUIPMENT BUSINESS (“PAL”)

Overall market situation

2004 was a hectic but buoyant year for the Electroplating Equipment Business. The strong recovery in the global economy led to a strong upsurge in demand for consumer electronics, computer and communication hardware which in turn led to a strong growth in demand for Printed Circuit Boards (the “PCB”), which form the basis of all electronic equipment. In order to satisfy this exposed demand, most of our PCB customers decided to expand their production capacity by ordering more electroplating equipment. Meanwhile the Euro to USD exchange has strengthened from 1.2 to 1.4 since quarter two of last year, forcing many European PCB manufacturers to speed up their investment plan in China or to consider forming alliances in Asia and restructuring their production strategies. Either decision generates demand for electroplating equipment.

Apart from facing a bullish PCB market, we also made remarkable progress in the Surface Finishing (the “SF”) market, in particular the automobile sector. When the automobile industry in US or Europe remains more or less flat, the strong GDP growth in China opens up a new playground. Given our solid experience in building plating equipment and our success in the Indian market, we have got two sizeable contracts in 2004, one from a Japan and one from a US manufacturer, both of whom are setting up major manufacturing facilities in China. Together with other “electronic-inclined” customers, the surface furnishing team generated more than 13% of PAL’s sales for the period

Strategy – Market

We will continue to develop and expand both the PCB and SF markets. It is our plan to gradually increase the surface finishing revenue to a goal of 50% of turnover. This move not only expands the potential market but also helps the Company to get away from the cyclical effect of the PCB industry and hence generates a more stable revenue stream. We will achieve this by signing up OEM arrangements with some experienced market players and by offering turnkey services

電鍍設備業務(「亞洲電鍍」)

市場整體狀況

二零零四年為電鍍設備業務忙碌且充滿生機的一年。全球經濟強勁復甦，使消費電子、電腦及通訊硬件需求迅速上揚，從而帶動作為電子設備基礎之印刷電路板(「印刷電路板」)需求大幅增長。為了滿足此暴增的需求，吾等大部份印刷電路板客戶已決定訂購更多電鍍設備，以增加生產量。此外，歐元兌美元之匯率自去年第二季起，由1.2增加至1.4，逼使許多歐洲印刷電路板生產商加快其於中國之投資計劃，或考慮於亞洲組成聯盟，及重組其生產策略，以上決定均增加了電鍍設備之需求。

除了面對樂觀的印刷電路板市場，吾等亦於表面處理(「表面處理」)市場，特別是汽車部份，取得驕人增長。當美國或歐洲汽車工業停滯不前時，中國國內生產總值之強勁增長為市場打開了新天地。憑建造電鍍設備之實際經驗，及在印度市場之成功，吾等於二零零四年取得了兩份大型合約，一份從日本取得，另一份從一間美國生產商取得。兩者均於中國設立大型生產設備，連同其他有「靠近電子行業」之客戶，表面設備隊伍於期內產生多於13%之亞洲電鍍銷售額。

策略－市場推廣

吾等將繼續發展及擴充印刷電路板及表面處理市場。吾等計劃逐漸增加表面處理之收入至營業額之50%。此舉不但能拓展潛在市場，而且能夠幫助本公司避免印刷電路板市場之週期性影響，並由此產生更多穩定之收入來源，兼且成為本公司另一增長動力。吾等將藉與部份富經驗之業內人士簽訂原設備生產協議，及為計劃於中國或東南亞其他部份重設生產基地之跨國公司，提供承包

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to multinational companies who plan to relocate their production base in China or other parts of South East Asia. Most of the SF projects are unique and require strong project management to meet a set of stringent deadlines.

The general investment direction for worldwide PCB manufacturers is still going east, i.e. Eastern Europe and going east-east, i.e. Asia. Despite problems of power shortage, rising material cost and shortage of skilled labour, the PCB market in China still grows by 30%* compared to last year. In addition, for those early movers, they have gradually transformed their Chinese factories from low-end mass production facilities to high-end high value operations which can handle HDI, back panel, lead free and flexible circuits board. Today some Chinese PCB manufacturers are able to produce 18-36 layers boards, compared to 2-6 layers boards in previous years. Of course, the term "Chinese" refer to physical factory locations only. The investment was indeed come from Taiwan (35%*), Hong Kong (35%*), Japan and Europe (15%*), US (10%*) and China (5%*). Since PAL has always positioned itself to supply high-end new-technology equipment, the shift of trend in the China market in fact works towards our advantage.

* The statistics were provided by NT Information Ltd and the percentage was calculated based on estimated bare board output in 2004.

Strategy – Product development

Sales of mobile phone has increased 30% to 674,000,000 units in 2004** and the sales of hand-held consumer equipment such as digital camera is also on the rising trend. Given this market indication, we foresee that the size of PCB is getting smaller and smaller and the via on the boards is getting smaller too. With this perspective, PAL will continue the development of vertical in-line plating technology particularly for the production of filled microvias and flexible printed circuits. The growing requirement to be able to automatically handle flexible material is also being addressed.

** Quoted from Gartner Dataquest March 2005

服務，從而達致此目標。大部份表面處理項目乃獨一無二及需要強大項目管理以配合一連串緊逼限期。

全球印刷電路板生產商普遍仍往東面投資，即往東歐去，甚至再往更東面方向，即往亞洲去。儘管有電力短缺、原料成本上漲及缺乏技術勞工等問題，但中國印刷電路板市場比去年仍有30%*增長。另外，較早期前往投資之生產商已逐漸把其中國之廠房從低技術的大量生產設備轉變成為能夠處理高密度連接電路、背板、無鉛電路板及軟性電路板之高技術高價值業務。相比以往之2-6層板，今天部份中國印刷電路板生產商能夠生產18-36層板。當然，「中國」一詞只代表廠房所處之位置，而投資實際來自台灣(35%*)、香港(35%*)、日本及歐洲(15%*)、美國(10%*)及中國(5%*)。由於亞洲電鍍一直定位為供應高新科技設備，中國市場之趨勢轉變實際上對吾等有利。

* 統計數字由NT Information Ltd提供，而百分率則以二零零四年估計單以印刷電路板生產量為基礎計算。

策略－產品開發

於二零零四年，流動電話銷量增加30%，至674,000,000台**，而數碼相機等手提消費設備的銷售量亦趨升。鑒於這市場趨勢，吾等預期印刷電路板的體積及電路板上的孔將會越來越細。有鑒於此，亞洲電鍍將繼續發展垂直連線電鍍技術，特別是生產填微孔技術及軟性電路板方面。對於增長中之自動處理軟性物料需求亦在研究中。

** 引述自Gartner Dataquest二零零五年三月之資料。

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管 理 討 論 及 分 析**Future outlook**

The PCB industry after recording strong growth for the first eight months in 2004 started to show signs of slow down in late 2004 and early 2005, especially in Taiwan and Hong Kong. Nevertheless, the general consensus amongst PCB manufacturers in this region is to expect a rebound in the second half of the year. Meanwhile the strong Euro has attracted various European PCB manufacturers to us. Together with the steady growth in the share of SF market, we remain conservatively optimistic to report another profitable year in 2005. Meanwhile, the Company will continue to look for another growth drive or is holding an open mind on searching for opportunities that will bring us another growth drive similar to the one we did in SF.

**BUSINESSES OPERATED BY
ASSOCIATED COMPANIES**

In 2004, the Group has disposed approximately 21.5% interest in Intech Machines Company, Limited ("IML") and is still holding approximately 28.6% interest. As a result, the Group ceased to consolidate the result of IML to its accounts with effect from April 2004. Enjoying also the benefits from the recovery of PCB industry, IML has turnaround from a loss making company into a profit making company in 2004. At the same time, IML has gained its reputation as one of the reliable equipment suppliers in the Flat Panel Display Equipment market. Included in the current period profit attributable to shareholders was approximately HK\$8,100,000 million which was attributable to IML.

In 2004, the Group has also disposed 58% interest in Asia Vigour (Holdings) Ltd ("AVPH") and is still holding 42%. As a result, the Group ceased to consolidate the result of AVPH to its accounts with effect from March 2004. AVPH is an investment holding company and its only asset is a wholly owned subsidiary named Asia Vigour Productions Ltd ("AVP") (formerly named as Vigour Entertainment Company Ltd). During the year, AVPH has held 38 shows for Mr. Sam Hui in the name of "Song God in Concert". This was a remarkable records not easy to achieve in recent years.

未來前景

印刷電路板工業自於二零零四年首八個月錄得強勁增幅後，於二零零四年底及二零零五年初均有放緩趨勢，特別在台灣及香港。不過，此區域印刷電路板生產商普遍預期於後半年有所反彈。此外，強歐元為吾等吸引了不同之歐洲印刷電路板生產商。加上表面處理市場之穩定增長，吾等對二零零五年繼續錄得溢利保持審慎樂觀。同時，本公司將繼續尋找其他成長原動力，或對尋找類似表面處理設備方面一樣可帶給吾等另一增長動力的機會，持開放態度。

聯營公司經營之業務

於二零零四年，本集團出售亞智科技股份有限公司（「亞智」）約21.5%利益，仍持有約28.6%利益。因此，自二零零四年四月，本集團已不再將亞智業績綜合於本集團之會計賬目內。因同樣受惠於印刷電路板工業復甦，亞智於二零零四年轉虧為盈。同時，亞智成為平面顯示設備市場其中一間可靠之設備供應商，備受好評。計入本年度屬於亞智之股東應佔溢利約為8,100,000港元。

於二零零四年，本集團亦出售了Asia Vigour (Holdings) Ltd (「AVPH」)之58%權益，現仍持有其42%之權益。因此，自二零零四年三月，本集團已不再將AVPH之業績綜合於本集團之會計賬目內。AVPH是一間投資控股公司，其唯一資產是一間全資附屬公司恒藝亞洲綜合製作有限公司（「恒藝亞洲」）（前稱恒藝亞洲娛樂有限公司）。於年內，恒藝亞洲為許冠傑舉行了38場名為「盈科保險繼續微笑會歌神Live」演唱會。此驕人紀錄於近年實在難得一見。

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PROSPECT

It is expected that there will be a slight slowdown in the economic growth worldwide in 2005. However, the Board believes that the rate of growth will still be high enough to sustain a steady demand in electronics products and hence benefits our electroplating equipment business. On the other hand, we are cautious that the high level oil price and general increase in raw material cost may pressure our customers to adopt a more prudent approach in their expansion plan. We will closely monitor the market information and to formulate suitable strategies to best serve our customers and maximize returns for our shareholders.

前景

雖然全球經濟增長於二零零五年預期稍微放緩，但董事會相信增長比率仍足夠維持電子產品之穩定需求，因此吾等之電鍍設備業務可從中獲益。另一方面，吾等亦謹慎地面對因油價高企及原料整體成本上揚，可能導致吾等客戶對其擴充計劃採取更審慎之部署。吾等將密切注視市場資訊及制訂合適策略以為顧客提供最佳服務，以及為股東爭取最大回報。