

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's unaudited consolidated turnover for the six months ended 30 June 2005 ("the Period Under Review") was approximately HK\$192 millions representing a drop of 44% compared to the six months ended 30 June 2004 ("the Previous Period"). The operating net profit was approximately HK\$4.4 millions for the Period Under Review compared to HK\$46.1 millions for the Previous Period. The reduction in turnover and operating net profit is further explained in following sections.

The basic earnings per share for the Period Under Review was HK1 cent (the Previous Period: basic earnings per share HK15.7 cents, diluted earnings per share HK14 cents).

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (the Previous Period: Nil).

Business Review

(A) PAL Group

Electroplating equipment – PCB sector

After the large-scaled capacity expansion in last year, most of the PCB factories were busy getting the new facilities up and running. With the expanded capacity in hands, most of the PCB factories are more conservative in their investment plan in 2005 although moderate expansion plans are still on-going. The order enquiries level and shipment value were relatively low in first half year but yet it becomes active again in the second half.

管理層討論及分析

財務業績

本集團截至二零零五年六月三十日止六個月(「回顧期內」)之未經審核綜合營業額約192,000,000港元，較二零零四年六月三十日止六個月(「去年同期」)下跌44%。回顧期內之經營淨溢利約4,400,000港元，去年同期之經營淨溢利為46,100,000港元。營業額及經營淨溢利下跌之原因將於下文作進一步闡釋。

回顧期內之每股基本盈利為1港仙(去年同期內：每股基本盈利為15.7港仙，每股攤薄盈利為14港仙)。

中期股息

董事不建議派付截至二零零五年六月三十日止六個月之中期股息(去年同期內：無)。

業務回顧

(A) 亞洲電鍍集團

電鍍設備 – 印刷電路板業務

經過去年大幅擴充後，大部份印刷電路板工廠均忙於使新設施暢順運作。由於已擁有擴充後之生產力，雖然有若干溫和擴充計劃仍在進行中，但大部份印刷電路板工廠於二零零五年之投資計劃均趨向保守。上半年之訂單查詢水平及付運價值相對較低，惟於下半年再度活躍。

We remain optimistic over the future outlook for two reasons. Modern cars use more and more electronic devices, with some demanding more than 250 individual electronic controller systems. These systems can be found, for example, under the hood, in the power train, in the passenger cabin, or near the wheels. The electrical and electronic architecture is extremely complex. The automobile's electronic systems must accommodate extreme specifications and pass extended stress tests and reliability test programs because many cars face severe environmental conditions. Therefore, the technical requirements and specifications of these systems are severe and demanding. Sophisticated PCBs are often needed and so is the top-class electroplating equipment, of which PAL is positioned to make. Secondly, the statutory requirement of lead-free process has forced PCB factories, especially those in US and Europe, to redesign boards to meet the upcoming RoHS lead-free rules. New process may lead to demand of new equipment or at least modification on the existing equipment. These two reasons are both pointed to possible increase in equipment sales in the PCB sector.

Electroplating equipment – Surface Finishing sector

As reported in last annual report, the surface finishing team generated more than 13% of PAL's sales for the period and that we will continue to expand the revenue to a goal of 50% of turnover. For the Period Under Review, the surface finishing revenue represents approximately 47% of PAL's sales and will remain at about 30% when full year potential sales are considered, in particular, after taking into account of the dilution effect by the increased sales in PCB sector in the second half of the year. We are very confident to achieve the revenue goal of 50% in a near term.

基於兩個因素，吾等對未來前景仍然感到樂觀。現代化車輛使用愈來愈多電子配件，有些車輛更配備超過250個獨立電子操控系統。該等系統用於車篷、電車、車箱或近車輪之位置。電氣及電子架構極為複雜。汽車電子系統必須使用嚴格規格及通過長期壓力測試及穩定性測試，以適應嚴峻駕駛環境。因此，該等系統之技術要求及規格非常嚴格及嚴苛。複雜印刷電路板便不可或缺，同樣地頂級電鍍設備之需求亦很大，而亞洲電鍍正可擔當有關角色。其次，由於法例規定須執行無鉛工序，迫使印刷電路板工廠，特別是美國及歐洲的有關工廠重新設計電路板，以符合將來生效之電氣及電子設備廢料無鉛指令。新工序將促使業界添置新設備或最少提升現有設備。上述兩項因素可令印刷電路板行業之設備銷售上升。

電鍍設備 – 表面處理業務

誠如去年年報所述，表面處理小組於去年佔亞洲電鍍之銷售13%以上。吾等將繼續擴充收益，以達至佔營業額50%之目標。於回顧期內，表面處理之收益佔亞洲電鍍銷售約47%，而計入全年之潛在訂單後將維持約30%，特別是經計及下半年印刷電路板業務銷售增加之攤薄效應。吾等有信心於短期內達成50%收益之目標。

Our end customers are multi-national companies and most of which operates in automobile industry. These companies plate all sort of automobile accessories such as interior & exterior door handles, license plate frames, headlamp housings, tail lamp housings, wheel covers and levers. They all served first class companies including but not limited to Toyota, General Motors and BMW. We are gradually gaining recognition in the automobile field and are reaching out to other business fields such as bathing room fittings and solar cells.

Product development

In the coming TPCA to be held in Taiwan and Productronica shows to be held in Munich, we shall be ready to sell the third generation MCP, the design of which is to encourage PCB shops who are presently using horizontal plating equipment to replace it with continuous vertical plater for more economic operating cost. We have also developed an economic version of MCP to cater for the customers who do not require the full range of features.

Risk factors

The general risk factors we are facing are the possible material cost increase due to the ever-increasing oil price, the exchange rate fluctuation in Euro and the possible currency appreciation in Renminbi. We have been quite successful in controlling the material cost in 2004 but have started to feel the pressure from this year onwards. After all, there is only so much cost increment our vendor could share with us. As we are receiving more orders from Europe, we are exposed to the exchange rate fluctuation in Euro. We will be watching closely the price fluctuation and forward contract will be purchased where necessary. The possible currency appreciation in Renminbi will

吾等最終客戶為跨國公司，多從事汽車業。該等公司負責將汽車內外部之所有配件(如門柄、車牌、頭燈、尾燈、輪蓋及控制桿)進行電鍍。該等公司之尊貴客戶包括(但不限於)豐田、通用汽車及寶馬。吾等逐漸於汽車業獲得認同，並漸漸開拓其他範疇，例如浴室裝配及太陽能吸收板。

產品開發

將於台灣舉行之台灣電路板國際展覽會及於慕尼黑舉行之慕尼黑國際電子生產技術與設備展中，吾等準備發售第三代MCP，有關設計鼓勵目前使用水平式電鍍設備之印刷電路板工廠，轉用持續及垂直式電路板，以減低經營成本。吾等亦開發經濟形之MCP，以迎合較低要求之客戶。

風險因素

吾等面對之一般風險因素是因應石油價格屢創新高而或會造成之原料成本增加、歐元匯率變動及人民幣之可能升值。吾等於二零零四年成功地控制原料成本，惟由本年度開始備受壓力。畢竟，供應商能與吾等分擔之成本增幅有一定限幅。由於接獲更多歐洲訂單，吾等將承受歐元之外匯風險。吾等將密切監察匯率變動，並於有需要時購入遠期合同。由於吾等於中國設有兩家工廠，故人民幣升值可能增加吾等之間接成本及原料成本。吾等於歷年來已建立一個供應商之國

increase both our overhead, as we have two factories in China, and our material cost. Over the years, we have already established an international network of supplier chains and as such, we are always able to source replacement outside China if it is necessary to do so due to the currency appreciation of Reminbi.

(B) Other businesses

The IML Group keeps doing very well in making cleaning and handling equipment for PCB sector and FPD sector. Incorporated in the Group net profit for the Period Under Review was approximately HK\$1.7 millions attributable to IML.

Rest of businesses such as entertainment, timber trading and money lending represent only a fraction of the Group's activities and are continued as normal.

(C) Outlook

The investment sentiment of our customers is still fairly positive and we are conservatively optimistic that the Group will continue to generate steady profit for the rest of the year.

Financial Review

Capital structure, liquidity and financial resources

As at 30 June 2005, the Company had net current assets of approximately HK\$113.6 million (2004: HK\$109.4 million). The gearing ratio was 48% (2004: 45%). The gearing ratio is calculated by dividing total liabilities of HK\$224.4 million (2004: HK\$197.8 million) over total assets of HK\$465.8 million (2004: HK\$436.1 million).

As at 30 June 2005, the Company had approximately HK\$68.9 million of cash on hand, net current assets value being approximately HK\$113.6 million, short-term bank

際網絡，故此，如有需要，吾等可於人民幣升值時於中國以外之地區進行採購。

(B) 其他業務

亞智集團為印刷電路板市場及平面式顯示屏市場提供潔淨及處理設備方面繼續取得良好成績。計入本集團回顧期內淨溢利中有約1,700,000港元來自亞智。

娛樂、木材貿易及放款等餘下業務僅佔本集團業務之小部份，並將繼續正常營運。

(C) 展望

本集團客戶之投資意願仍然相當良好，吾等審慎樂觀地認為本集團將於下半年繼續錄得穩定溢利。

財務回顧

資本結構、流動資金及財務資源

於二零零五年六月三十日，本公司之流動資產淨值約達113,600,000港元（二零零四年：109,400,000港元），負債比率為48%（二零零四年：45%）。此負債比率乃將總負債約224,400,000港元（二零零四年：197,800,000港元）除以總資產465,800,000港元（二零零四年：436,100,000港元）。

於二零零五年六月三十日，本公司之手頭現金約達68,900,000港元、流動資產淨值則約達113,600,000港元、短期銀行貸款

loan amounted to HK\$29.3 million and obligations under finance leases approximately HK\$0.3 million. The total borrowing was therefore HK\$29.6 million, an increase of HK\$12.3 million from last year of HK\$17.3 million. Due to the newly introduced HKAS 39, discounted export bills amounted to HK\$10.6 million were booked as bank borrowings in 2005 whereas, in the past, it was offset against debtors under the old accounting standard. As such, the actual increase in bank borrowing was HK\$3 million (HK\$29.6 million total borrowing of this year less HK\$10.6 million discounted bill of 2005 less HK\$17.3 million total borrowing of last year).

As at 30 June 2005, the Company has pledged its land and buildings in PRC with an aggregate net book value of approximately HK\$45.6 million (2004: HK\$46.4 million) and bank deposits of approximately HK\$6.5 million (2004: HK\$5.9 million) to secure banking facilities of approximately HK\$91.9 million (2004: HK\$45 million) to the Company. Out of the facilities available, the Company has utilised approximately HK\$29.3 million as at 30 June 2005.

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 Company were mainly dominated in US dollars and HK dollars and there are certain risk associated with European sales and the overhead cost for the factories in China, which is explained in the Business Review Section above.

Contingent Liabilities

As at 30 June 2005, the Company had guarantees of approximately HK\$70.8 million (2004: HK\$24 million) to banks in respect of banking facilities granted to a subsidiary of the Company. The amount utilised by the subsidiary was approximately HK\$29.3 million.

約達29,300,000港元及融資租賃之承擔約達300,000港元。因此，借款總額約為29,600,000港元，較去年約17,300,000港元增加約12,300,000港元。由於新引入香港會計準則第39號，約10,600,000港元之貼現出口票據於二零零五年計入銀行貸款，而過往則根據舊會計準則與應收款項抵銷。因此，銀行貸款之實際增幅約為3,000,000港元（本年度總貸款29,600,000港元減二零零五年貼現票據10,600,000港元減去年總貸款17,300,000港元）。

於二零零五年六月三十日，本公司已將賬面淨值約45,600,000港元（二零零四年：46,400,000港元）於中國之土地和樓宇連同銀行存款約6,500,000港元（二零零四年：5,900,000港元）抵押，使本公司獲取約91,900,000港元（二零零四年：45,000,000港元）之銀行信貸額。於二零零五年六月三十日，於可供使用的信貸額中，本公司已運用了約29,300,000港元。

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。

本公司大部份資產及負債主要以美元及港元為單位，然而歐洲銷貨及中國工廠之間接成本方面可能涉及若干風險，並於業務回顧一節中闡釋。

或然負債

於二零零五年六月三十日，本公司就一間附屬公司獲授之銀行信貸額提供約70,800,000港元（二零零四年：24,000,000港元）擔保。該附屬公司已運用了約29,300,000港元之信貸額。

Employee and Remuneration Policies

As at 30 June 2005, the Group has approximately 740 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonus granted on discretionary basis. Other employee benefits included pension fund, insurance and medical cover.

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 Hing

Chairman and Managing Director

Hong Kong, 27 September 2005

僱員及薪酬政策

於二零零五年六月三十日，本集團擁有約740名僱員。僱員薪酬是根據其表現、經驗及行內慣例而釐定。而與表現掛鉤的花紅是酌情發放的。至於其他僱員福利包括退休金計劃、保險及醫療保障。

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

主席兼董事總經理

藍國慶

香港，二零零五年九月二十七日