

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

RESULT SUMMARY

- Revenue increased by 11.6% to approximately HK\$2,446,848,000 (2016: HK\$2,192,287,000)
- Gross profit margin improved by 2.4 percentage points to 16.7% (2016: 14.3%)
- Operating profit was approximately HK\$63,349,000 (2016: operating loss of HK\$270,263,000)
- Profit for the year was approximately HK\$43,850,000 (2016: loss of HK\$333,885,000) including reversal of restructuring provision amounting to approximately HK\$31,101,000 as other income
- Net debt to equity ratio was 7.1% as at 31 December 2017 (31 December 2016: 2.3%)
- Net assets per share was HK\$1.8 as at 31 December 2017 (31 December 2016: HK\$1.6)

FINANCIAL RESULTS

The sales revenue of the Group increased by 11.6% to approximately HK\$2,446,848,000 (2016: HK\$2,192,287,000). It was mainly attributable to the improvement of performance in the machinery manufacturing segment and the printed circuit board processing and trading segment during the year.

The gross profit for the year amounted to approximately HK\$409,439,000, with gross profit margin of 16.7% which represented an increase of 2.4 percentage points as compared to that of 2016. The improvement in gross profit margin was resulted from the increasing utilization of production capacities in certain manufacturing plants and strengthening control over production costs and operating overheads during the year. The Group continues the adjustment of sales strategy by focusing on higher-margin products and associated customers in various business segments.

業績摘要

- 收入增加11.6%至約為2,446,848,000港元(二零一六年: 2,192,287,000港元)
- 毛利率改善2.4百分點至16.7%(二零一六年: 14.3%)
- 經營溢利約為63,349,000港元(2016年: 經營虧損270,263,000港元)
- 本年度溢利約為43,850,000港元(二零一六年: 虧損333,885,000港元), 已包括約為31,101,000港元重組費用回撥作其他收入
- 於二零一七年十二月三十一日之借貸淨額對權益百分比為7.1%(二零一六年十二月三十一日: 2.3%)
- 於二零一七年十二月三十一日之每股資產淨值為1.8港元(二零一六年十二月三十一日: 1.6港元)

財務業績

本集團之銷售收入上升11.6%至約為2,446,848,000港元(二零一六年: 2,192,287,000港元)。此乃主要由於機械製造業務以及印刷線路板加工及貿易業務於本年度之業務表現有所改善所致。

本年度毛利約為409,439,000港元, 毛利率為16.7%, 較二零一六年增加2.4個百分點。毛利率改善是由於本年度部份廠房之產能運用水平有所提升, 並加強對生產成本及經營開支之監控所致。本集團持續調整銷售策略, 聚焦於不同業務之較高利潤產品及相關客戶。

As stated in the announcements of the Company in 2016, the Group planned to restructure its plastic products and processing segment and machinery manufacturing segment, including the cessation of operation of certain manufacturing businesses and optimization of the production capacities in its Dongguan and Wuxi machinery manufacturing plants. The restructuring projects including assets relocation and optimization, organizational restructuring and production efficiency enhancement are on track under the closely-monitoring of a designated task force. A non-recurring item with amount of approximately HK\$31,101,000 was reversed as income for the year ended 31 December 2017, after considering the progress of the respective restructuring exercise. The Group will continue to update the progress of the restructuring in due course.

The Group reported a turnaround with profit of approximately HK\$43,850,000 for the year (2016: Loss of HK\$333,885,000). This was mainly resulted from the improvement in sales revenue, gross profit and also tight control over the operating overheads during the year.

The net debt to equity ratio was 7.1% as at 31 December 2017. The overall cash flow position and debt maturity profile of the Group maintained at a healthy level.

The Board did not recommend the payment of a final dividend for the year (2016: nil).

BUSINESS REVIEW

Machinery Manufacturing Business

As a result of the economic recovery in the Mainland in 2017, the machinery manufacturing segment was able to achieve relatively good results. The machinery manufacturing business re-allocated its resources and re-aligned its business direction last year. Through the re-alignment and adjustments of products in the two main production plants of injection moulding machines, the existing resources could be utilised more effectively and the overall production capacities were increased. During the year, sales revenue of plastic injection moulding machine business recorded an impressive growth as compared to that of last year. Moreover, the results of plastic injection moulding machine business made a turnaround to profit through the joint effort of the sales and production teams.

誠如本公司於二零一六年之公告所述，本集團已計劃重組注塑製品及加工業務分部以及機械製造業務分部，包括終止若干製造業務以及優化東莞及無錫機械製造廠房之產能。在專責小組的密切監督下，包括資產重新配置及優化、架構重組及提升生產效率在內的重組項目正按計劃實行，經考慮相關重組之進度後，一筆約為31,101,000港元之非經常項目已回撥作截至二零一七年十二月三十一日止年度之收入。本集團將於適當時候繼續提供重組之最新進展。

本集團於本年度轉虧為盈，錄得溢利約為43,850,000港元（二零一六年：虧損333,885,000港元）。此乃主要由於本年度的銷售收入及毛利增加，以及嚴格控制經營開支所致。

於二零一七年十二月三十一日的借貸淨額對權益百分比為7.1%。本集團整體之現金流及債務到期狀況仍維持於健康水平。

董事會不建議派付本年度之末期股息（二零一六年：無）。

業務回顧 機械製造業務

2017年，藉國內經濟回暖的大環境，機械製造業務取得了較好的業績。過去的一年是機械製造業務重整資源、重新佈局的一年，通過對注塑機兩大生產基地產品的重新佈局和調整，使現有資源得到更有效地利用，提高了總體產能。本年度，注塑機業務銷售比上一年度錄得較大的增幅；同時通過銷售與生產的通力配合，注塑機業務實現了扭虧為盈。

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論及分析（續）

In 2017, the plastic injection moulding machine business strengthened its product development and optimisation. In particular, through the capability optimisation of two-platen injection moulding machines product series, its efficiency, speed and reliability have been significantly enhanced. This meets the demand of two major industries – auto parts and household electrical appliances and this business became the sales growth driver in the past year. In addition, sales of injection molding machines tailor-made for specific industries also recorded significant growth during the year, despite the fact that further enhancement needed to be made in areas such as the quality and cost of the machines, which is also the main focus for product development in the coming year. The successful implementation of the “Smart Industry 4.0 Solution” also provided a platform for the development of smart products. In the future, the Group will continue to strengthen product research and development to meet the market demands of various industries, so as to develop our products in series towards a professional and smart direction.

2017年，注塑機業務加大了產品的開發和優化工作，特別是二板機系列通過性能的優化，效率、速度和可靠性明顯提升，迎合了汽配及家電兩大行業的市場需求，成為本年度的銷售增長點。另外，一些行業專用機的銷售本期也有明顯增長，但仍需在品質、成本等方面進一步優化，這也將是下一年度的重點培育專案。「工業4.0智能方案」的成功推行，也為產品向智能化發展提供了平台。今後還將繼續加大產品的研發，以滿足不同行業的市場需求，推動我們的產品向系列化、專業化、智能化發展。



200Se III General Purpose High-end Servo-driven Injection Moulding Machine
200Se III 通用型高端伺服注塑機

Moreover, the Group also had certain achievements in other machinery manufacturing businesses. Rubber plastic machinery obtained recognition from customers in niche markets such as the manufacturers of pedrails for truck vehicles and insulators for power supply networks. Multi-layer extrusion machines particularly made for the manufacturing of oil pipes in auto industry also maintained stable sales volume and orders and the Group is well-known in the industrial sector in this regard.

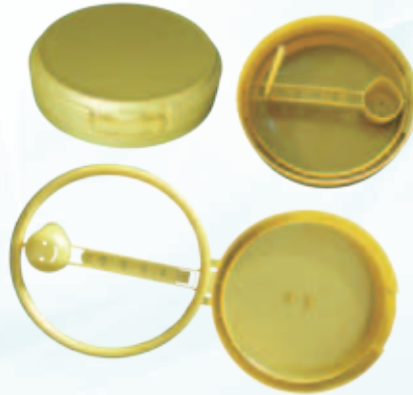
另外，在其它機械業務，集團亦取得一定的成績，橡塑機械在一些如生產運載車輛的履帶和供電網絡的絕緣子等小眾市場取得客戶的青睞，針對為生產汽車工業油管的多層管擠出機組，亦能維持穩定的銷售量和訂單，行內享有一定的知名度。

Plastic Products and Processing Business

During the year under review, the plastic products and processing business did not meet the budget, mainly attributable to the serious damage caused by the typhoon “Hato” to the Zhuhai production plant, which incurred non-recurring operating loss. Nevertheless, the Zhuhai production plant took this opportunity to upgrade its manufacturing workshops in accordance to higher-level of hygienic standard and further improved the hygiene condition of the production environment. It also purchased new machineries and equipment with higher efficiency and enhanced specifications to increase the overall production efficiency and output. The manufacturing plant resumed production three months after suspension and obtained high recognition from all major customers. In addition, the application of new integrated technology in folding cap seals with scoop for milk powder product, not only shortens the production cycle, but also provides a user-friendly experience to the consumers.

注塑製品及加工業務

在回顧年度內，塑料製品及加工業務未能完成年度預算，主要是由於珠海生產基地在遭受颱風「天鴿」的嚴重破壞，帶來一定的非經常性虧損，然而珠海生產基地借此契機，對所有生產車間按更高級別的潔淨要求更新，以進一步提高生產的衛生環境；重新購置新的高效率高配置的機器設備，提升整個生產的效率及產出。該基地在停產三個月後迅速復原，恢復生產，得到各主要客戶的肯定。此外，其用於奶粉產品之折疊式密封蓋與勺一體成型新技術的使用，縮短生產週期同時，更提供便捷的使用體驗給予消費者。



Integrated Moulding Lid and Spoon
一體成型的翻蓋和勺

In 2017, the performance of Hefei plastic processing plant improved significantly and recorded a relatively remarkable increase in sales revenue. Improvements were observed mainly in areas such as centralised raw material supply system, automation of production process and application of raw materials. The per capita efficiency and hourly output increased by approximately 15%, particularly in the assembling and plastic injection departments. Apart from the business results, these improvements also received recognition and award from major customers. In addition, the Hefei plant has obtained the certification of Hefei digital production workshop and was awarded the honorary title of “New and Special Enterprise with Professional Expertise in Anhui (安徽省專新特精企業)” and passed the inspection set for Second Class Production Safety Standard of Enterprise.

2017年，合肥塑料加工基地取得了明顯的進步，銷售收入錄得較大的增長，無論在集中供料系統、生產自動化及材料應用等方面，都得到改善。特別是裝配和注塑兩個部門，人均效率和工時產出，提升約15%。除業績外，這些成果還贏得主要客戶的嘉許。此外合肥的基地還取得了合肥數位化生產車間認定，獲得「安徽省專新特精企業」榮譽稱號，通過了二級安全生產標準化企業的達標驗收。

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論及分析（續）

During the year, the Group also invested in the production of plastic products with a higher level of technology, including environmentally-friendly plastic mannequins and multi-color mini-statues. Although the products are still under small batches production, they have already received recognitions from industry representatives, and achieved breakthroughs for similar products.

Industrial Consumables Trading Business

As the overall business operating environment has improved significantly from the past year, the manufacturing sector in the Mainland recorded obvious growth during the year. While the Group's trading business has been focusing on relating industries like automobiles, household appliances, semiconductors, communication equipment, injection moulding machines and spring machines, the business recorded satisfactory growth with approximately 10% increase in turnover as compared to that of last year. Unfortunately, due to the simultaneous recovery of manufacturing industries in Europe, the United States and Japan, there was shortage of supply of precision components exported to China, which in turn affected the delivery schedule. On the other hand, while the use of bundle-sales strategy has successfully increased the sales in the Mainland, the trading business has also successfully stepped into the auto component market for new energy vehicles, which open up the path for a new market in the future. In addition, the trading business has drastically reduced the slow-moving inventory and tightened the control over the accounts receivables at a reasonable level, with an objective to maintain solid financial strength.

此外，集團於年度斥資投入產生技術水平較高的塑料制品，其中包括環保塑料人體模型及多色小塑像等產品，儘管產品仍是小批量生產，唯都取得業界具代表企業的認同，是謂對同類產品帶來突破。

工業消耗品貿易業務

由於本年度整體營商環境較去年有大幅改善，國內工業製造錄得明顯增長。集團的貿易業務一向聚焦於如汽車、家電、半導體、通訊設備、注塑機及彈簧機等有關行業，業務因而取得不俗的增長，整體業務的營業額較去年增長約10%。可惜由於歐美及日本製造業亦同步復甦，引致出口中國的精密零部件供應短缺，影響交貨的進度。捆綁式銷售策略成功增加了國內產品銷售的同時，貿易板塊亦成功開拓了新能源汽車的零部件市場，為未來的市場打通突破口。此外，貿易業務大幅減低了慢流貨庫存並嚴控應收賬在合理水平，旨在保持穩健的財務實力。



Intelligent Hi-speed Manufacturing Control System
(Cloud Technology Interface equipped)
智能高速生產控制系統（具備雲端接口）

Looking ahead, the global economy will maintain the pace of recovery and China's economy will continue to grow. The key is to align the policy direction of the "13th Five-Year Plan" and "Made in China 2025". The Group's trading business will continue to focus on the needs of environmental protection and energy saving, industrial upgrading and transformation and factory automation, and to design and implement relevant business development plans. While maintaining the growth of existing businesses, the Group will further develop new business sectors such as new energy vehicles, medical equipment and robotic arms, and at the same time, secure orders for the "Industrial 4.0" system integration projects. Breakthroughs in system integration business is expected in the coming year.

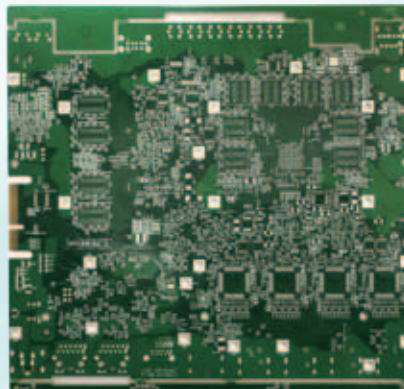
Printed Circuit Board ("PCB") Processing and Trading Business

While the sales revenue of the PCB processing business has achieved a growth as compared with that of last year, the operating profit recorded a relatively remarkable drop, mainly attributable to the highly-competitive market condition and the continuous price increase of deposition boards during the year. This segment continues to strive for the transformation and upgrade of its product portfolio, that is, a shift in business from the manufacture of double-sided circuit boards to multi-layer circuit board and high density interconnect ("HDI") circuit boards with higher profit margins. Although there are rooms for improvement in the production of HDI circuit boards and the respective scrap rate is relatively high, it is expected that HDI boards will be a key product of this segment for the domestic and overseas car manufacturing industry through the optimization of production techniques and accumulation of production experience.

展望來年，全球經濟保持復甦步伐，中國經濟增長持續，關鍵是把握「十三•五規劃」及「中國製造2025」的政策方向。集團的貿易業務會持續聚焦在環保節能、產業升級轉型及工廠自動化的需求，設計並執行相關的業務發展計劃，維持現有業務的增長和進一步拓展新的行業，如新能源汽車、醫療設備及機械手等業務空間，同時亦會進一步落實有關「工業4.0」的系統集成項目的訂單，冀能在來年在系統集成方面的業務有所突破。

印刷線路板加工及貿易業務

雖然印刷線路板業務於本年度銷售金額較去年有所增長，但經營利潤則錄得較大的跌幅，主要是受挫於激烈的競爭環境和沉積板材料價格連番上調所影響。此業務仍致力於產品架構的轉型升級，即由雙面線路板轉向利潤較佳的多層板和高密度互連板的業務的發展。儘管目前高密度互連板的生產仍存在進一步改善的空間，報廢率仍較高，唯相信通過工藝的優化及經驗的累積，HDI板將成為本業務致力於國內和海外汽車製造業的關鍵產品。



Twelve-layer Printed Circuit Board
十二層印刷線路板

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論及分析（續）

Moreover, while entering into new markets and expanding customer base, the PCB trading business still maintains a satisfying growth momentum. The segment continues to expand its high-tech circuit boards product portfolio and train up professional sales and service teams. This segment has also invested in circuit board quality inspection equipment to provide a wide range of professional testing and value-added services to the customers. The Group has great expectation and confidence in expanding its circuit board trading business into different markets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's total outstanding bank borrowings amounted to approximately HK\$425,723,000 (31 December 2016: HK\$355,324,000) which comprised mainly bank loans and trade finance facilities. The bank borrowings repayable within one year and in the second to the fifth year amounted to approximately HK\$380,598,000 and approximately HK\$45,125,000 respectively (31 December 2016: HK\$320,149,000 and HK\$35,175,000 respectively).

After deducting cash and bank balances of approximately HK\$348,746,000 (31 December 2016: HK\$332,723,000), the Group's net borrowings amounted to approximately HK\$76,977,000 (31 December 2016: HK\$22,601,000). Shareholders' equity as at 31 December 2017 was approximately HK\$1,080,494,000 (31 December 2016: HK\$966,594,000). Accordingly, the Group's net gearing ratio was 7.1%. During the year, the Group's net cash inflow from operating activities amounted to approximately HK\$29 million and net cash outflow from investing activities amounted to approximately HK\$54 million.

此外，線路板貿易業務隨著新市場的進入和新增的客戶群，業務仍處於不錯的發展態勢，在不斷增加各種技術含量高的線路板產品和培育具專業的銷售和服務隊伍。此業務亦增加投入線路板品質檢測設備，為客戶提供多元化專業檢測及增值服務。本集團對線路板貿易業務拓展至不同的市場，充滿期望和信心。

流動資金及財務資源

於二零一七年十二月三十一日，本集團之未償還銀行借款總額約為425,723,000港元（二零一六年十二月三十一日：355,324,000港元），主要包括銀行貸款及貿易融資信貸。將於一年內到期以及於第二至第五年到期償還之銀行借款金額分別約為380,598,000港元及約為45,125,000港元（二零一六年十二月三十一日：分別為320,149,000港元及35,175,000港元）。

扣除現金及銀行結餘約為348,746,000港元（二零一六年十二月三十一日：332,723,000港元）後，本集團之借貸淨額約為76,977,000港元（二零一六年十二月三十一日：22,601,000港元）。於二零一七年十二月三十一日之股東權益約為1,080,494,000港元（二零一六年十二月三十一日：966,594,000港元）。故此，本集團之淨借貸比率為7.1%。於本年度，本集團之經營業務現金流入淨額約為29,000,000港元，而投資活動現金流出淨額為約為54,000,000港元。

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. As the Hong Kong dollar remained pegged to the United States dollar, there was no material exchange risk in this respect. The Group will continue to monitor its foreign exchange exposure in Japanese Yen and Renminbi and enter into forward contracts when necessary. The Group's long-term bank loan facilities were denominated mainly in Hong Kong dollars and carried interest at floating rates. Credit risk was hedged mainly through credit insurance.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the Group has approximately 3,640 employees (31 December 2016: approximately 3,460), inclusive of all its staff in Hong Kong, Mainland and overseas offices. The remuneration policy of the Group is formulated in accordance with the market trends and the performance of the employees. Employees' benefits include insurance and retirement benefit.

The remunerations of the Directors are determined by the Remuneration Committee, with reference to the Company's operating results and comparable market information. The remuneration policy of the Company for the non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company. For the employees (including the executive directors and senior management), it ensures that the remuneration packages offered are optimal with respect to their duties assigned and in line with the market practice. The remuneration policy is set out to ensure that the salary levels are competitive and effective in attracting, retaining and motivating employees. Directors, or any associates of the directors as well as any executives, do not involve in determining their respective remuneration.

本集團之財務報表以港元呈列。本集團主要以港元、人民幣、美元及日圓進行業務交易。由於港元與美元掛鈎，故此方面並無重大外匯風險。本集團將繼續監察來自日圓及人民幣之外匯風險，並於需要時透過訂立遠期合約加以調控。本集團之長期銀行貸款融資均主要以港元計值及以浮動利率計息。信貸風險主要透過信用保險對沖。

僱員及薪酬政策

截至二零一七年十二月三十一日，本集團於香港、內地及海外各辦事處的僱員人數約共3,640名(二零一六年十二月三十一日：約共3,460名)。本集團的薪酬政策乃按市場趨勢及僱員表現而釐定。僱員福利包括保險及退休福利。

董事之酬金乃由薪酬委員會經考慮本公司之經營業績及比較市場統計資料後釐定。本公司有關非執行董事的酬金政策為確保彼等為本公司付出的精神及時間可獲得充分補償，而僱員(包括執行董事及高級管理人員)之薪酬政策則旨在確保所提供薪酬與職責相符並符合市場慣例。訂立薪酬政策旨在確保薪金水平具競爭力並能有效地吸引、留聘及激勵僱員。董事或其任何聯繫人士以及行政人員均不得參與釐定本身的薪酬。

OUTLOOK AND PROSPECTS

The global economy is still recovering with encouraging sentiment prevailing in manufacturing sector. The economic and trading relationship between the United States and the PRC is getting more dynamic with uncertainty. The Group expects several key challenges ahead including the continuous increasing of manufacturing costs (in particular the raw materials cost), shorter life cycle of consumer products, volatile capital market and currency fluctuations. The visibility of sales orders to be received is low and poses much difficulties in resources planning. Nevertheless, with the existing multi-business product platforms and the strong research and development capabilities, the Group will continue to widen the spectrum of applications for the existing manufacturing segments and develop new products with innovative material science technology. By leveraging on the existing well-established, unique and diversified product platform and extensive sales network across different industries, the Group will continue to adjust the sales strategies of different segments to niche markets and high-margin customers.

The Mainland government shows its commitment to developing new energy, energy saving, environmental protection and new materials-related industries in the near future. Besides complying with the relevant laws and regulations (especially the newly-imposed environmental-related rules), the Group will also continue aligning such strategy and direction by focusing on business opportunities arising from certain industries, in particular sectors such as automotive, innovative consumer electronics, communications, food and medical packaging, medical equipment, new industrial materials and components. Given the progressive crystallization of the improvement from the production processes automation, capacities optimization and production management digitization, it is the Group's ultimate target to enhance the overall profitability in the next couple of years.

展望及前景

全球經濟仍在回穩當中，製造業之當前景氣令人鼓舞，而美國與中國之間的經貿關係則更形波動，並充斥不明確變數。本集團預期當前需面對多項主要挑戰，包括製造成本（特別是原材料成本）持續上漲、消費產品生命週期縮短、資本市場動盪及匯價波動。較難預計將收到之銷售訂單，亦對資源規劃帶來不少困難。縱然如此，憑藉現有多元業務產品平台以及強大的研發能力，本集團將繼續擴大現有製造業務之應用範疇，同時運用創新物料科技開發新產品。通過完善、獨有且多元化之現有產品平台，以及不同行業之廣大銷售網絡，本集團將繼續把不同業務之銷售策略轉移至利基市場及高利潤客戶。

內地政府表示未來會致力於發展新能源、節能、環保及新材料相關產業。除遵守相關法律法規（尤其是新實施的環保相關規則）外，本集團將繼續配合此有關方針策略，聚焦於若干產業產生之業務機遇，尤其著力於汽車、創新消費電子產品、通訊、食物及醫療包裝、醫療設備、新工業材料及元件等行業。隨著自動化生產過程、優化產能及數碼化生產管理方面之改進獲得實質進展，本集團在未來數年將以提升整體盈利能力為最終目標。