

MANAGEMENT DISCUSSIONS & ANALYSES

管理層討論及分析

COMPANY PROFILE

The Group engages in Dutch technology-based greenhouse cultivation and integrated processing of Orchid seedlings and other flowers and vegetables for sale to wholesalers, growers, export agents and importers. Geographical sales have been biased to export markets mainly. Domestic sales made up less than 40% of total turnover in the past two years.

OPERATING PERFORMANCE

Sales turnover grew by 64% to RMB1,102.3 million in 2001. By product mix, Orchid seedlings and plants of Phalaenopsis and Cymbidium continued to have dominated 72% of total turnover. Among these, sales of young plants made up 56% of total turnover. Sales of other flowers edged up slightly to 19% of total turnover. Towards the end of the year, there was inaugural export trading of vegetables (mainly broccoli, pod peas and hairy beans) to Japanese market. This first time contribution from the newly set up Japanese sales offices commanded 9% of total turnover. Breakdown of sales by produce is as follows:

公司簡介

本公司從事以荷蘭科技為本的溫室栽培、種植及加工蘭花苗及其他花卉和蔬菜，供銷予批發商、種植商、出口代理商及進口商等。按區域計銷售以出口為主。過去兩年國內銷售佔總營業額不超過40%。

業務表現

二零零一年營業額增長64%達11.02億元人民幣。按產品分類計，蝴蝶蘭和大花蕙蘭繼續穩佔總營業額72%。當中，小苗的銷售佔總營業額56%。其他品種花卉的銷售輕微上升，佔營業額19%。去年底新設立的日本辦事處首次對營業額的貢獻為9%，主要為出口蔬菜(西蘭花、荷蘭豆和毛豆為主)往日本市場。按產品種類細分的營業額如下：

		2001 二零零一年	2000 二零零零年	Growth rate% 增長率(%)
		% of Total Turnover 佔總營業額百分比		
Floriculture	花卉產品			
Phalaenopsis	蝴蝶蘭			
Test-tube seedlings	瓶苗	3%	—	NA
Young plants	小苗	29%	23%	101%
Medium plants	中苗	2%	4%	-1%
Adult plants	大苗	1%	8%	-85%
Sub-total	小計	35%	35%	59%
Cymbidium	大花蕙蘭			
Test-tube seedlings	瓶苗	1%	—	NA
Young plants	小苗	27%	39%	15%
Medium plants	中苗	—	7%	-99%
Adult plants	大苗	9%	12%	23%
Sub-total	小計	37%	58%	4%
Other Flowers	其他品種花卉	19%	7%	399%
Vegetables	蔬菜	9%	—	NA
Total	總計	100%	100%	64%

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By destination, export sales and domestic sales recorded 58% and 42% of total turnover respectively. The most significant change by destination was export to Japan. It increased by 6 percentage points to 22% fuelled by the trading export of vegetables. Exports of Orchid seedlings to the Netherlands rose by both value and gross margins, reflecting strong demand from new and existing customers and rising popularity of Orchids as ornamental flowers for business venues in Asia. With respect to domestic sales of young plants of Orchids, sales continued to concentrate in the provinces located in the Northeastern part of China. Sales to the Southern part of China remained small tactically due to limited internal resources for the time being. Breakdown of sales by destination is shown below:

按銷售最終目的地劃分，出口銷售和本地銷售分別佔總營業額58%和42%。按目的地劃分的最顯著變化為出口往日本，增加6個百分點至22%，主要由於出口蔬菜所致。出口蘭花苗往荷蘭在營業額及毛利兩方面均有增長，反映出新客戶及現有客戶對蘭花苗的需求強勁，以及蘭花作為一種商用場地裝飾花卉在亞洲的受歡迎程度正日益增加。就蘭花小苗的國內銷售情況而言，本集團繼續集中向中國東北部的省份進行推銷。受內部資源所限，向中國南部進行的銷售，仍然策略性地佔小部份而已。按目的地劃分的銷售明細詳列如下：

		2001 二零零一年	2000 二零零零年	Growth rate% 增長率(%)
		% of Total Turnover 佔總營業額百分比		
Domestic Sales	國內銷售			
Northern Provinces	北部省份	35%	32%	78%
Southern Provinces	南部省份	7%	4%	211%
Sub-total	小計	42%	36%	92%
Export Sales	出口銷售			
Japan	日本	22%	16%	125%
South Korea	南韓	6%	14%	-31%
The Netherlands	荷蘭	30%	34%	46%
Sub-total	小計	58%	64%	49%
Total	總計	100%	100%	64%

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By activity, greenhouse cultivation of floricultural produce jumped by 206% at the expense of greenhouse processing and trading of horticultural produce. As a result of full-year contribution from greenhouse operation in 2001, profit margin was improved significantly. Breakdown of sales by activities is as follows:

按經營活動劃分，溫室栽種的花卉產品躍升206%，而溫室加工及貿易則相對下降。由於溫室栽種於二零零一年全面運作，對邊際利潤提供極大的貢獻。按經營活動劃分的營業額細分如下：

		2001 二零零一年	2000 二零零零年	Growth rate% 增長率(%)
		% of Total Turnover 佔總營業額百分比		
Processing and Trading	加工與貿易			
Floriculture	花卉產品	58%	82%	15%
Vegetables	蔬菜	9%	—	NA
Sub-total	小計	67%	82%	15%
Greenhouse Cultivation	溫室栽培			
Floriculture	花卉產品	33%	18%	206%
Vegetables	蔬菜	—	—	NA
Sub-total	小計	33%	18%	206%
Total	總計	100%	100%	64%

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OPERATING EXPENSES

Cost of sales was 57% of total turnover in 2001. Thanks to the tax saving from agricultural tax concession, the overall cost of sales dropped by 10 percentage points to 47%. For the year, distribution expenses stayed at 3% while the general administrative expenses edged up 1 percentage point to 3% of total cost of sales due to the non recurrent cost of public listing.

經營支出

本年度之銷售成本佔總營業額57%。農業稅減免所節省的稅款，令整體銷售成本下降10個百分點至47%。本年度，分銷費用維持於3%；一般行政費用則受非經常性的上市費用影響而上升1個百分點至3%。

		2001 二零零一年	2000 二零零零年	Growth rate% 增長率(%)
		% of Total Cost of Sales 佔總銷售成本百分比		
Raw Materials	原材料	95.0	93.2	38%
Seedlings	花苗	89.7	80.5	51%
Other materials	其他生產材料	5.3	12.7	-43%
Labour cost	勞工成本	0.6	0.6	32%
Utility cost	公用設施開支	0.7	1.3	-31%
Depreciation	折舊	3.0	4.0	4%
Rental expense	租金	0.7	0.9	5%
Total	總計	100	100	36%
		% of Turnover 佔營業額百分比		Growth rate% 增長率(%)
Cost of Sales *	銷售成本*	47%	57%	36%
Distribution Expenses	分銷費用	3%	3%	48%
General Administrative Expenses	一般行政費用	3%	2%	174%

* Adjustment to exclude agricultural tax

* 不計算農業稅

PROFITABILITY

Gross profit margin rose to 53% in 2001 from 33% in 2000, while net profit margin expanded to 47% from 28% in the respective period. Management estimated that the concession from agricultural tax had contributed about 10 percentage points to net profit margins. Enterprise income tax holiday added another 15 percentage points to bottom line margins in 2001.

盈利能力

毛利率由二零零零年的33%，上升至二零零一年的53%，純利率同期由28%增至47%。管理層估計農業稅減免為純利率提供約10個百分點的貢獻。企業所得稅免稅期則替二零零一年純利率額外增加15個百分點。

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PRODUCTIVITY

On the other hand, effective managerial planning and production supervision had led to productivity gain. Measured by annual sales per average number of staff, productivity gained by 10.5% to RMB4.2 million in 2001. In terms of greenhouse productivity, gross profit per hectare was up by 38% to RMB20.0 million in the second half when compared with gross profit per hectare (annualised) of RMB14.5 million in the first half. On cost side, economies of scale trimmed cost of sales by 23% to RMB3.1 million. Per hectare greenhouse production yield is shown in the following table.

生產力

另一方面，有效的管理計劃及生產監控系統能促進生產力。按平均每名員工的年銷售額計算，生產力於二零零一年增加10.5%，達420萬元人民幣。按溫室面積生產力而言，下半年每公頃毛利為2,000萬元人民幣，較上半年每公頃毛利年率1,450萬元人民幣增長38%。在成本方面，規模經濟使銷售成本減少23%至310萬元人民幣。每公頃溫室效益見下表。

		(RMB mn) (百萬元人民幣)		
		2001 二零零一年	1H/2001 annualised 二零零一年 上半年年化率	% change 增減百分比
Sales	銷售	23.1	18.5	+25%
Cost	成本	3.1	4.0	-23%
Yield	產出效益	20.0	14.5	+38%
Data	數據	2001 二零零一年	2000 二零零零年	
Number of Staff at end-year	年底職工人數	322	200	
Greenhouse area at end-year (hectare)	年底溫室面積(公頃)	17	17	
Weighted average greenhouse area (hectare)	加權平均溫室面積(公頃)	17	15	
Annual Output	年產量			
– flower & flower seedlings (pieces)	—花卉及花苗(株)	46,507,803	29,787,000	
Annual Output per hectare	每公頃年產量			
– flower & flower seedlings (pieces)	—花卉及花苗(株)	2,735,753	2,019,458	

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FINANCIAL PERFORMANCE

The cycle of working capital in Euro-Asia had been doing well. Current ratio soared to 7.2 times due to the strong cash generated from the underlying business and the deposits and other receivables made for the procurement of agricultural produce for processing and exports. Meanwhile, the excellent quality of Euro-Asia's existing and new customers in China and abroad bodes well for its working capital cycle and concurs well with its sound sales policy laid down by the Chairman. At end-2001, the Company had RMB31.8 million short-term bank loans, and remained in net cash position on 31 December 2001. The key financial ratios are represented as follows.

As at year end	至年底止	2001 二零零一年	2000 二零零零年
Current Ratio (x)	流動比率 (倍)	7.2	1.4
Quick Ratio (x)	速動比率 (倍)	6.1	0.6
Trade Receivable Turnover (days)	應收帳款周轉率 (日)	12.0	17.0
Inventory Turnover (days)	存貨周轉率 (日)	29.0	52.0
Trade Payable Turnover (days)	應付帳款周轉率 (日)	7.0	23.0
Asset Turnover (x)	資產周轉率 (倍)	1.2	1.7
Net Debt to Equity (%)	淨負債比率 (%)	Net Cash 淨現金	Net Cash淨現金

LIQUIDITY, FINANCIAL RESOURCES, AND CAPITAL STRUCTURE

Liquidity Ratio

The liquidity ratio, or quick ratio, of Euro-Asia was 6.1x in 2001, compared with 0.6x in 2000. Similar to the current ratio, it was bolstered by RMB358.4 million of cash and bank balances and RMB266.4 million of deposits and other receivables. Due to strict credit policy, 100% of the trade receivables aged within 1 month, with receivable turnover shortened to 12 days from 17 days. Inventory turnover days also dropped to 29 days from 52 days. Trade payable turnover was down to 7 days from 23 days. The group's domestic sales transactions were in RMB while export transactions were in US dollars mainly. No hedging was engaged into as RMB versus US dollars remained broadly stable throughout the year.

財務表現

歐亞營運資金周轉期運行良好。受惠於基本業務的強大現金流轉，和大筆購貨作加工和出口貿易用的墊支定金，流動比率激增7.2倍。此外，歐亞原有和新做的國內及海外客戶均信譽良好，使歐亞的營運資金周轉期保持暢順，印證了主席制定下來行之有效的銷售政策。於二零零一年底，本集團的短期銀行貸款為3,180萬元人民幣，並於二零零一年十二月三十一日維持淨現金狀態。主要財務比率詳列如下：

流動資金、財務資源及資本結構

流動資金比率

二零零一年歐亞的流動資金比率(或稱速動比率)為6.1倍，二零零零年為0.6倍。與流動資金比率一樣，流動比率受惠於3.58億元人民幣的現金及銀行存款，和2.66億元人民幣的按金及其他應收款項。鑑於嚴緊的信貨政策，帳齡在一個月內的貿易應收帳款為100%，應收帳款周轉率由17日縮短為12日。存貨周轉率亦由52日縮短至29日。貿易應付帳款周轉率由23日縮減至7日。本集團的內銷交易以人民幣計算，而出口交易則主要以美元為結算單位。由於全年內人民幣兌美元概率基本上保持穩定，故本集團並沒有進行外匯兌購交易。

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Internal Cash Resources

Internal cash resources include cash and bank balances as well as standby general banking facilities. At end-2001, the Group's cash and bank balances were recorded at RMB358.4 million, while the Group's short-term bank borrowing was RMB31.8 million. In the first quarter of 2002, Euro-Asia obtained a RMB159 million loan from a Mainland Chinese bank to finance the acquisition of 10 hectares of greenhouses and office buildings from the Chairman's private company, Shenyang Euro-Asia Industrial Company Limited. The greenhouses were valued at construction cost of RMB107 million, while the office buildings were valued at RMB70 million. Both of the transactions were valued by independent professional appraiser, and represented fair market value. Both acquisitions were for the long-term benefit of Euro-Asia's corporate brand-building and production capacity respectively, and were passed by the shareholders' Special General Meeting on 9 February 2002.

The group was also granted a bilateral 3-year revolving credit facility of HK\$30 million from a commercial bank in Hong Kong in December 2001, and another bilateral 3-year short-term money market revolving credit facility of HK\$30 million from another commercial bank in Hong Kong in January 2002. The three-year borrowing cost for both credit facilities is HIBOR plus 1.875% per annum. The bilateral banking facilities serve as additional sources of working capital at low cost to finance the export trading of vegetables.

Net current assets were RMB698.9 million at end-2001, up by 2,344%. Net assets were RMB1,437.4 million, up by 443%. EBITDA was RMB539.1 million, up by 160%.

內部現金資源

內部現金資源包括現金，銀行存款和銀行備用信貸。於二零零一年底，本集團的現金及銀行存款合共為3.58億元人民幣，而本集團的短期銀行貸款為3,180萬元人民幣。於二零零二年首個季度，歐亞獲得一間內地銀行發放一項1.59億元人民幣的銀行貸款，以支付向瀋陽歐亞實業有限公司(主席擁有的一間私人公司)購入10公頃的溫室及辦公大樓的部份代價。溫室的價值以建造成本1.07億元人民幣作價，辦公大樓作價7,000萬元人民幣，兩項作價均經過獨立的專業評估師評定公平市值。該兩項收購分別利好歐亞品牌的鑄造及生產能力的提升，並於二零零二年二月九日舉行的股東特別大會上獲得通過。

於二零零一年十二月，本集團亦獲得一間香港的商業銀行發放一項3,000萬元港幣為期三年的單對單循環信貸額度。於二零零二年一月，本集團又獲另一間香港的商業銀行發放另一項三年期3,000萬元港幣的單對單短期貨幣市場循環還信貸。兩項信貸額度的借貸成本是按香港銀行同業拆息加年利率1.875%計算。單對單循環貸款額度主要為集團提供額外低成本營運資金，可用來應付蔬菜出口貿易所需的營運資金。

二零零一年底淨流動資產為6.98億元人民幣，增幅為2,344%。淨資產14.37億元人民幣，增幅達443%。繳付利息、稅款、折舊及攤銷前盈利為5.39億元人民幣，增長160%。

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Concentration Risk

The concentration risk of the group was mitigated during the financial year as the number of new customers and suppliers increased, as indicated in the tables below. Management believed that Euro-Asia as a brand name has been gaining market credence over the past years particularly after the group's listing in the main board of the Stock Exchange of Hong Kong Limited.

風險密度

由於新客戶和供應商的數目有所增加(如下表所示)，相對減低了本集團本財政年度的風險密度。管理層相信，在過往數年間，特別是本集團股份在香港交易所有限公司主板上市後，歐亞作為一個品牌已逐漸聯合漸獲得市場的確認。

Top customers

主要客戶

% of Total Turnover	佔總銷售百分比	2001	2000
		二零零一年	二零零零年
Top	最大	25	33
Top 3	前三名最大	46	74
Top 5	前五名最大	59	82
Top 10	前十名最大	72	85

Top suppliers

主要供應商

% of Total Purchase	佔總購貨百分比	2001	2000
		二零零一年	二零零零年
Top	最大	23	27
Top 3	前三名最大	50	70
Top 5	前五名最大	68	97
Top 10	前十名最大	100	100

Capital Structure

At end-2001, the share capital of the group was approximately RMB176.0 million, compared with RMB127.2 million at end-2000. At end-2001, shareholders' funds (before distribution of dividends) were approximately RMB1,437.4 million, up from approximately RMB264.9 million at end-2000.

股本結構

於二零零一年底，本集團的股本約為1.76億元人民幣，二零零零年底為1.27億元人民幣。股東資金(派發股息前)由約2.65億元人民幣激增至約14.37億元人民幣。

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USE OF IPO PROCEEDS

Total net proceeds of RMB651.3 million were raised from the stock market by initial public offerings in July 2001. Capital expenditures for 40 hectares of new greenhouses and the necessary auxiliary equipments amounted to approximately RMB516.6 million. The original budget in IPO prospectus of RMB380 million did not include the construction of the processing, cold storing, heating, and transport infrastructures to complement the physical site operation of the greenhouses. The expenditures in research and development and new sales offices amounted to approximately RMB1.1 million and RMB3.3 million respectively, both below the original budget. The acquisition of the new office buildings after 9 February 2002 caused the delayed expansion in research and development in tissue culture and hybridisation. On the other hand, two sales offices were set up in Japan in September 2001 as scheduled. Information technology platform was also being invested in the Japanese sales offices to enhance the efficiency of the electronic trading platform. The unexpected tragedy of the 11 September 2001 in the World Trade Centre in the United States had depressed the confidence of the global economy. As a result, Euro-Asia's expansion of sales offices overseas has been put into a halt in the last quarter of 2001 before the management is able to re-assess its overseas marketing plan including the pilot plan to enter the US flower market.

INVESTMENT PROJECT

In November 2001, Euro-Asia signed a cooperative mandate with Fook Huat Tong Kee Holdings Ltd ("FHTK"), a listed company listed in Singapore, to form a joint venture ("JV") in agricultural business. The JV will operate a high-tech greenhouse nursery in FHTK Longkou Industrial Part at Longkou City in Shandong Province the PRC. Euro-Asia and FHTK are still working on the details of the investment and the model of the business operations.

STAFF AND REMUNERATION POLICIES

At end-2001, the total number of employees was 322, up from 200 at end-2000. There were 32 management staff and 290 workers at end-2001, up from 25 management staff and 175 workers at end-2000 respectively. Personnel expenses amounted to RMB3.1 million, or 0.6% of cost of sales. Salaries and wages were determined based on their talents and experience, with discretionary bonuses awarded to outstanding employees. Other staff benefits include Hong Kong Mandatory Provident Fund, insurance and, training programs. The Board is considering the grant of share options to senior management staff. A share option scheme is being formulated with the advice of an independent management consultant.

The Board is also in the process of engaging into Directors and Officers Insurance for all directors and senior management with supervisory role to protect the Group from any contingent liability that might arise in the course of normal business operations.

首次公開售股募集資金用途

於二零零一年七月，本公司透過在股票市場公開發售股份募集所得的淨資金共6.51億元人民幣。約5.17億元人民幣用作建設40公頃新溫室及所需的供暖、交通、加工、冷藏等附屬設施。原來上市時預算3.8億元人民幣並沒有包括上述基礎配套建設配合溫室實地運作的費用。此外，約110萬元人民幣及330萬元人民幣分別用於支付實驗室科研費用和設立新銷售辦事處；兩者均低於原來的預算。二零零二年二月九日才完成購入新辦公大樓是導致延遲擴展組織培育實驗和雜交研發投資的主要原因。另一方面，在日本的兩個銷售辦事處均按時於二零零一年九月設立並開展業務。本公司亦在日本的銷售辦事處投資建立資訊科技平台以提高電子商貿的效率。二零零一年九月十一日美國世貿中心受恐怖襲擊慘劇，全球經濟信心因而崩潰。因此，管理層在去年第四季暫時推遲拓展海外市場計劃的時間表，包括打入美國花卉市場的試驗計劃在內。

投資項目

於二零零一年十一月，歐亞與星加坡上市公司復發中記簽訂合作意向，共同在山東省龍口市復發中記工業園合作溫室栽培項目。現時雙方仍在進行整個投資計劃及運作模式的各項細節研究。

職工酬金政策

於二零零一年底，職工總數為322人，較二零零零年200人有所增加。管理人員及工人的數目由二零零零年底的25人及175人分別增至二零零一年底的32人及290人。人事成本總數為310萬元人民幣，佔銷售成本0.6%。薪金及工資是按才能和經驗釐定，表現突出的職工可獲酌情發放獎金和花紅。其他職工福利包括香港強制性公積金、保險、培訓等。董事會現正考慮向高級管理人員授予認股權。認股權計劃正處於草擬階段，在此期間，本公司正聽取獨立管理顧問的意見。

董事會亦現正為所有須履行監督職責的董事及高級管理人員購買董事及高級職員保險，為本集團在正常業務過程中可能產生的或有債務提供保障。