

Management Discussion and Analysis

管理層討論與分析

REVIEW AND PROSPECTS

The Group attained satisfactory results in the year 2002. Turnover for the year increased by 26%, amounting to HK\$3.746 billion.

As a result of reduced contribution from the sale of properties, revenue from the Group's property business in 2002 was lower than that of 2001. However, performance of the Group's core steel business was remarkably strong, with gross profit standing at HK\$172 million, representing an increase of 123%.

Profit attributable to shareholders for the Group, after taking into provisions, share of profit of associates, net interest expenses, taxation and minority interests, recorded an increase of 159%, amounting to HK\$78.18 million, an unprecedented performance since the financial crisis in 1997.

STEEL BUSINESS

Steel business remains to be the Group's traditional focus for decades. With the sustained support of our bankers, suppliers and customers, as well as our outstanding goodwill, professionalism and comprehensive competitiveness, we have been able to concentrate in the last few years on penetrating China, the largest and fastest growing steel consumption market in the world. Our vigorous efforts in extending sales channels and networks enabled us to maintain and enlarge our import share significantly in this major market.

Furthermore, the Group committed itself to marketing strategy of integrating vertically the upper, middle and lower streams, with operations in the three levels of activities of international steel trading, warehousing and logistic services as well as manufacturing and processing. This strategic approach would afford a full participation for the Group in the supply chain of the steel business.



回顧與展望

本集團於二零零二年度取得理想業績。營業額增長26%，達港幣37.46億元。

本集團於二零零二年度來自房地產業務的售樓收入減少，致使該項業務收入較二零零一年為低。但本集團主營核心的鋼鐵業務表現強勁，毛利增長123%，達港幣1.72億元。

本集團在計入撥備、聯營公司溢利、淨利息支出、稅項、少數股東權益以後，股東應佔溢利增長159%，達港幣7,818萬元，錄得自一九九七年金融風暴以來最好的成績。

鋼鐵業務

鋼鐵業務是本集團經營了數十年的傳統核心業務。在各主要往來銀行、供應商和客戶們的支持下，本集團憑藉良好的商譽、專業的團隊和綜合競爭力，連續數年針對全球最大和增長最快的中國鋼鐵消費市場，努力拓展營銷網絡，保持並擴大了在這一重要市場的進口份額。

同時，本集團致力構建上、中、下游一體化營銷策略，在鋼鐵國際貿易、倉儲物流分銷和加工製造三個層面，尋求介入整個鋼鐵行業的價值鏈。

1. International Trading

Sustained efforts were made by the steel trading arm of the Group to consolidate its global procurement system and to integrate the sales and distribution, and product agency, of goods from a diversity of sources. Targeted on markets in high-growth industries with special demand such as automobiles, shipbuilding, light industries and IT, the Group expanded its businesses during the year to trading of iron ores, special steel, galvanized steel plates and tin plates. The Group has entered into contracts with a number of major steel mills in China for the supply of basic raw materials. Relationship has been forged with several major end-users in eastern and southern China for joint sales and distribution. As a result, the total volume of goods sold and delivered exceeded 1.8 million tonnes. Turnover surged by 40% over last year and gross profit also achieved a significant increase.

In 2002, the volume of various types of steel imported by China exceeded 24 million tonnes. Driven by the massive infrastructure development, investment in fixed assets and strong demands from the automobile, shipping and machinery industries, it is envisaged that domestic demand for steel materials would remain keen in the next few years. Whilst its domestic supply could not meet its demand, China would still need to import large volume and product mix of steel materials with high technological input and enhanced value as well as basic raw materials. While exercising prudence in risk management, the Group will capitalize on the opportunities brought forth by China's new economic growth cycle to maintain an enhanced market share for better returns in profit.



1. 國際貿易

本集團鋼鐵貿易部門不斷鞏固在全球各地的採購體系，整合不同貨源的經銷、代理渠道，於年內新組建冶金爐料、特殊鋼、塗層鋼板、馬口鐵等業務板塊，專門針對汽車、造船、輕工、IT等高增長行業的特殊需求進行營銷，並與國內數間大型冶煉工廠簽定原輔材料供應合約，與華東、華南數家主要終端用戶建立了聯合銷售關係。該業務全年付運及完成貨物銷售總量逾180萬公噸，營業額比去年增長40%，毛利率亦獲得較大的提昇。

鑒於二零零二年中國進口各類鋼材高達2,400餘萬噸，在龐大的基本建設、固定資產投資及汽車、船舶、機械工業的強勁需求帶動下，未來數年裡，中國仍將維持對國內無法滿足供應的技術含量高、附加值高以及基礎原料類鋼鐵品種大量進口的局面。預期本集團在審慎規避經營風險的同時，仍將會努力把握中國經濟新的增長週期，繼續佔有較理想的市場份額，以實現良好的盈利表現。

2. Warehousing and Distribution

The Group's warehousing and distribution business continued to make substantial progress. The building-up of the high value-added warehousing logistics and distribution network embodies the long-term strategic development focus of the Group. Factors such as reduction of tariffs, abolition of restriction on import volume and the gradual opening of the domestic market to foreign investments after China's accession into the WTO, all created ample development space for the Group in striding into this vast, RMB-based sales domain. After the establishment of the warehousing and distribution centre in Shanghai, the Group added similar facilities in Guangzhou, Tianjin and Hangzhou in 2002. Another warehousing and distribution centre will be set up in Beijing in early 2003. As to the eastern and southern China, the Group has formed alliances separately with several tens of agents, wholesalers, retailers and manufacturers to furnish a full range of value-added services in transportation, custom clearance, storage, cutting and slitting and financing and had completed total sales of over 300,000 tonnes of steel products. The return was indeed highly satisfactory. It is expected that within a number of years, in addition to participating in US dollar-denominated international steel trading, foreign companies will embark on import and export operations in China and the restriction on settlements in RMB is expected to be relaxed as well. In this scenario, the Group's painstaking efforts in strategic positioning itself in China in recent years will set the scene for expanding its business in this area.

2. 倉儲物流分銷

本集團鋼鐵倉儲分銷業務取得進展。建立附加值高的倉儲物流分銷網絡是本集團銳意發展的長期目標。中國加入WTO後，關稅降低，進口數量限制取消，外資逐步准入內銷市場，均為本集團進入規模巨大的人民幣銷售領域提供了發展空間。自設立上海倉儲分銷中心後，二零零二年，本集團又相繼於廣州、天津、杭州並將於二零零三年年初於北京設立倉儲分銷中心。在華東、華南地區，本集團分別與數十家代理、批發、零售商和製造廠家密切合作，提供運輸、報關、倉儲、裁剪、融資等配套增值服務，完成了約30萬噸以本集團自營為主的鋼材銷售，獲得了良好的收益。預期於若干年內，外資公司除以美元結算的鋼鐵國際貿易外，進駐中國大陸經營進出口業務，並以人民幣進行銷售結算的限制將會放開，而本集團近年來在中國積極部署的該項業務將順勢擴大經營規模。



3. Manufacturing and Processing

The Group's steel manufacturing and processing business attained the best ever results in terms of production, sales and profit. The management competence of the steel pipe manufacturing plant was reinforced during the year 2002. Consequently, its competitive edge was significantly improved and operating profit increased by 83%. To further expand the production capability paving its way to form a sizable operation, the Group extended the plant and installed new production lines and ancillary facilities in the last quarter of 2002. It is expected that after the completion of the extension and installation of new machineries in May 2003, production cost would be further reduced while bringing up the productivity level substantially. Meanwhile, the Group had completed the reorganisation of an enterprise in Dongguan acquired at the beginning of 2002. To cater for market demands for cutting and slitting in high value-added products such as galvanized steel sheets, stainless steel and silicon steel sheets, the Group established a new steel coil centre. During the year, a new production line was installed and the original plant was completely revamped. Upon successful testing, commercial production was commenced at the plant in March 2003 to launch quality-approved products for distribution in the market. These two processing plants will uphold their usual required standards on quality and customer service. Coupled with stringent cost control measures, our market share will be gradually enlarged on the strength of improved production capability and increased sales. This will constitute another revenue generating sector for the Group in future.

3. 加工製造

本集團鋼鐵加工製造業務的生產、銷售、盈利狀況亦超越歷來最好水平。鋼管加工中心的綜合管治能力於二零零二年得到增強，市場競爭力得到提昇，經營溢利增長達83%。為進一步擴大產能和優化佈局，以形成規模經營，本集團於二零零二年第四季度斥資擴建該中心廠房，添置新的生產線和配套設備。預期擴建和裝機工程於二零零三年五月份完成後，將能夠進一步降低成本，大幅提高生產能力。此外，在二零零二年年初收購另一間位於東莞的企業並進行重組後，為順應市場對高附加值板材如鍍鋅塗層鋼板、不銹鋼、矽鋼片等產品裁剪加工的需求，本集團已斥資設立了一全新的鋼卷加工中心，於年內訂購並安裝了生產線，對原有廠區進行了全面改造。經成功試機，該中心已於二零零三年三月生產出合格產品進入市場銷售。預期上述二個加工中心將繼續秉持質量第一和客戶至上的原則，在嚴格成本控制下，通過產能的擴充和銷售的增加，逐步擴大市場佔有率，可為本集團未來增添新的盈利增長點。



PROPERTY BUSINESS

Property development and investment is a continuing business of the Group.

"Times Square" in Yangzhou, Jiangsu has a total gross floor area of 68,000 square metres, of which about 13,000 square metres had been sold, attributing a satisfactory return on investment. No major sales and marketing activities was conducted for the project in 2002, where overall strategy was directed instead at ensuring an all rounded and multi-sector mix of tenants for the shopping mall as well as strengthening the operation management in order to capture the growing local purchasing power. Since April 2002, after a soft operating period of less than a year, the total floor area of shops opened for business increased from 17,390 square metres to 47,000 square metres. In addition to the 300 plus shops engaged in apparels, cosmetics and jewelry, other major tenants included the "Spring Department Store", the digital cinema houses "Century Cinema City", two large Chinese restaurants under chain operation, a household electrical appliance and electronic city of the renowned "Guomei" distributor, a fun-land for children and a book city. With perfecting of the facilities for the shopping, entertaining and food & beverage functions at the mall, it is envisaged that it will be on target to make available over 54,000 square metres of shopping space in the third quarter of 2003, stepping to full operation of the mall. In 2003, there are plans to conduct sales and marketing activities at an appropriate juncture, and we also expect an enhancement of revenue both from rental and management fee.

Furthermore, the Group's investment properties in Hong Kong and Shanghai continued to contribute a stable source of rental income.

房地產業務

房地產開發及投資是本集團持續的經營業務。

江蘇揚州"時代廣場"總建築面積約68,000平方米,已共售出約13,000平方米,錄得理想的投資回報。二零零二年,該項目未進行大型銷售活動,整體經營策略側重在因應當地不斷增長的消費水平,對廣場的綜合功能佈局進行全方位、多業態的招商組合和強化營運管理。自二零零二年四月份試營業不足一年時間,廣場開業面積由17,390平方米擴至目前約47,000平方米。除服飾、化妝品、首飾等三百餘間店舖外,先後落實引進並開張了包括"春天百貨"、"世紀環球院線"多廳數碼影院、二間大型連鎖式酒樓、國內著名的"國美電器"家電數碼城、兒童"歡樂天地"、書城等大型項目。隨著精心策劃和購物中心所具備的各項功能的完善,相信該項目將按計劃於二零零三年第三季度完成可營業面積逾54,000平方米的商戶進駐,步入全面開業階段。同時,計劃二零零三年內將適時進行銷售活動,而廣場整體租金和管理收益將獲得提昇。

此外,本集團在香港和上海的若干投資收租物業,均繼續提供穩定的租金收益。



STAFF

As at 31 December 2002, the Group employed 729 staff. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits. The Group also provides other staff benefits which include year end double pay, contributory provident fund and medical insurance. Share options and discretionary bonus may also be granted to eligible staff based on individual and Group performance. Training programmes for staff are provided as and when required.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be in a stable financial position with cash and bank balance of approximately HK\$314 million as at 31 December 2002 (2001: HK\$216 million). As at 31 December 2002, the Group's current ratio, as a ratio of current assets to current liabilities, was 1.56 (2001: 1.39) and the gearing ratio, as a ratio of total liabilities to total assets, was 0.55 (2001: 0.49).

In December 2002, a 3-year unsecured syndicated loan of HK\$130 million was made to provide further financial resources for the Group's business expansion. As at 31 December 2002, the bank borrowings of the Group were approximately HK\$603 million (2001: HK\$456 million). Excluding the short-term loans on trade finance amounted to approximately HK\$287 million (2001: HK\$264 million), the maturity profile of other bank borrowings as at 31 December 2002 was as follows:

| | | 2002 HK\$ million 港幣百萬元 | 2001 HK\$ million 港幣百萬元 |
|----------------------------|---------|-------------------------------|-------------------------------|
| Within one year | 一年內 | 82 | 79 |
| In the second year | 第二年 | 42 | 11 |
| In the third to fifth year | 第三年至第五年 | 139 | 35 |
| After the fifth year | 五年後 | 53 | 67 |
| | | 316 | 192 |

All the Group's bank borrowings were denominated in Hong Kong Dollar, US Dollar and Renminbi and bore interest at prevailing market rates.

僱員

於二零零二年十二月三十一日，本集團共僱用729名員工。僱員薪酬一般乃參考市場條件及根據個別表現制定及檢討。本集團並為僱員提供其他福利，包括年終雙糧、需供款之公積金及醫療保險。此外，本集團亦根據公司經營業績按員工個別表現而授出購股權及發放花紅，並會視乎需要為僱員提供培訓計劃。

資產流動性及財務資源

本集團繼續維持穩定財務狀況，於二零零二年十二月三十一日持有現金及銀行結餘約為港幣314,000,000元（二零零一年：港幣216,000,000元）。於二零零二年十二月三十一日，本集團之流動比率（流動資產與流動負債相比）為1.56（二零零一年：1.39）及負債比率（總負債與總資產相比）為0.55（二零零一年：0.49）。

於二零零二年十二月，集團借入一筆為期三年之無抵押銀團貸款港幣130,000,000元以提供更充裕資金擴展集團業務。於二零零二年十二月三十一日，本集團之銀行貸款約為港幣603,000,000元（二零零一年：港幣456,000,000元）。不計短期貿易信貸貸款約為港幣287,000,000元（二零零一年：港幣264,000,000元），於二零零二年十二月三十一日，其他銀行貸款之還款年期如下：

本集團所有銀行貸款均以港元、美元及人民幣為貨幣單位，息率為市場息率。

CHARGE ON ASSETS

As at 31 December 2002, the following assets were pledged: (i) certain leasehold land and buildings with a net book value of approximately HK\$108,028,000 (2001: HK\$124,662,000); (ii) certain motor vehicles and plant and machinery of approximately HK\$8,396,000 (2001: HK\$3,290,000); (iii) investment properties with a net book value of approximately HK\$261,752,000 (2001: HK\$350,881,000); (iv) certain properties held for sale of approximately HK\$2,910,000 (2001: HK\$24,305,000); (v) certain short-term investments amounted to approximately HK\$5,869,000 (2001: Nil); (vi) certain inventories of approximately HK\$17,678,000 (2001: HK\$9,751,000) released under trust receipts bank loans; and (vii) bank deposits amounted to approximately HK\$40,503,000 (2001: HK\$40,790,000).

CAPITAL COMMITMENTS

As at 31 December 2002, the Group had capital commitments contracted but not provided for amounted to approximately HK\$8,345,000 (2001: Nil) for the expansion of the production plants.

CONTINGENT LIABILITIES

As at 31 December 2002, the Group had the following contingent liabilities: (i) guarantee for general banking facilities granted to an associate amounted to approximately HK\$21,730,000 (2001: HK\$21,730,000); (ii) Mainland China land appreciation tax amounted to approximately HK\$14,891,000 (2001: HK\$11,872,000); and (iii) guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties amounted to approximately HK\$21,220,000 (2001: HK\$9,337,000).

資產抵押

於二零零二年十二月三十一日，以下資產已予抵押：(i)若干租賃土地及樓宇帳面淨值約為港幣108,028,000元（二零零一年：港幣124,662,000元）；(ii)若干汽車及廠房及機械約為港幣8,396,000元（二零零一年：港幣3,290,000元）；(iii)投資物業帳面淨值約為港幣261,752,000元（二零零一年：港幣350,881,000元）；(iv)若干待售物業約為港幣2,910,000元（二零零一年：港幣24,305,000元）；(v)若干短期投資約為港幣5,869,000元（二零零一年：無）；(vi)信託貸款項下存貨約為港幣17,678,000元（二零零一年：港幣9,751,000元）；及(vii)銀行存款約為港幣40,503,000元（二零零一年：港幣40,790,000元）。

資本承擔

於二零零二年十二月三十一日，本集團已簽約但未入帳之資本承擔約港幣8,345,000元（二零零一年：無）用以擴建廠房。

或然負債

於二零零二年十二月三十一日，本集團有下列或然負債：(i)為聯營公司銀行融資作出之擔保約港幣21,730,000元（二零零一年：港幣21,730,000元）；(ii)中國土地增值稅約港幣14,891,000元（二零零一年：港幣11,872,000元）；及(iii)為集團物業購買者按揭融資向銀行作出之擔保約港幣21,220,000元（二零零一年：港幣9,337,000元）。