

Management Discussion and Analysis

管理層討論及分析

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operations

The Group reported a sales increase of HK\$12.6 million (15%) in 2003 and net profit of HK\$27.4 million or HK1.61 cents per share as compared to HK\$37.4 million or HK2.20 cents per share in 2002. Principal factors affecting these changes, which were discussed further in the followings, were 1) decreased selling prices which improved sales, 2) decreased profit contribution from sales, 3) increased selling expenses, 4) professional expenses incurred in connection with the listing of the Company's shares on the Main Board of the Stock Exchange, 5) income tax expenses; partially offset by 6) no research and development expenses.

Turnover was HK\$98.5 million in 2003, an increase of HK\$12.6 million or 15% as compared to HK\$85.9 million in 2002, primarily due to the increase in sales volume resulted from the decrease of selling prices commencing February 2003 (selling prices for Jin Ze Ling No. 1 and Dao Ying Wen Jing were decreased by approximately 20% to 29%, to accommodate changes in market conditions).

The gross profit margin in 2003 decreased to 56.4% from 66.4% in 2002. The decrease represented the impact on the decreased selling price in 2003.

Operating expenses increased by HK\$2.1 million to HK\$24.2 million in 2003 as compared to HK\$22.1 million in 2002. Operating expenses as a percentage of turnover were 24.6% in 2003 as compared to 25.7% in 2002. The differences in operating expenses were as follows:

- Selling expenses increased by HK\$5.1 million or 102% to HK\$10.1 million in 2003 from HK\$5.0 million in 2002. Expenses related to two additional sales service centers (HK\$0.9 million) and television advertisements (HK\$4.0 million) accounted for the increase;

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營運業績

本集團於二零零三年之銷售額增加12,600,000港元(15%)，盈利淨額為27,400,000港元或每股1.61港仙，二零零二年則為37,400,000港元或每股2.20港仙。導致有關轉變之主要因素闡述如下：1)售價下調令銷售額有所改善；2)源自銷售之盈利貢獻減少；3)銷售費用增加；4)有關本公司股份於聯交所主板上市所產生專業費用；5)所得稅開支，惟部分影響因6)並無產生研究及開發開支而抵銷。

二零零三年營業額為98,500,000港元，較二零零二年85,900,000港元增加12,600,000港元或15%，主要由於產品售價自二零零三年二月起下調而導致銷量增加所致。為迎合市況轉變，金澤靈一號及稻癭蚊淨之售價下調約20%至29%。

二零零三年邊際利潤由二零零二年之66.4%減少至56.4%，反映二零零三年售價下調構成之影響。

二零零三年經營開支增加2,100,000港元至24,200,000港元，而二零零二年則為22,100,000港元。二零零三年經營開支相對營業額之百分比為24.6%，而二零零二年則為25.7%。經營開支之差異如下：

- 銷售費用由二零零二年5,000,000港元增加5,100,000港元或102%至二零零三年10,100,000港元。有關增加源自增設兩家銷售服務中心(900,000港元)及推出電視廣告(4,000,000港元)相關費用；

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MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Results of operations (Continued)

- The Company recorded listing expenses (HK\$4.5 million) for professional fees and other expenses incurred for the listing of the shares of the Company by way of introduction on the Main Board of the Stock Exchange in October 2003; and
- No research and development expenses were incurred in 2003 as compared to HK\$6.9 million in 2002 since most of the Group's core developing projects had entered the final stage of the development. However, research and development expenses may increase in future depending the number of studies for potential products.

The Group recorded PRC income tax expenses of HK\$6.3 million in 2003 as compared to none for the same period in 2002, because Fujian Goldigit was exempted from PRC income tax for 2 years in 2001 and 2002.

BUSINESS REVIEW

The Group is a provider of quality chemical pesticides based on propulsive agent technology. Jin Ze Ling No. 1 and Dao Ying Wen Jing continued to contribute to the Group's overall turnover in 2003. The Group has no foreign operations. The products are solely for the PRC market. The Group focuses on the development and production of propulsive agent, and out-sources the manufacturing of pesticides to an independent processing agent. The Group is currently developing two new pesticides to kill rice water weevils and rice borers, and a new insecticide to kill mosquitoes in urban drains.

As in 2002, the Group faced severe operating environment and stern competition in 2003. The outbreak of Severe Acute Respiratory Syndrome in 2003 had an adverse impact on the operations of the Group. During the second quarter in 2003, the Group's marketing and distribution activities were temporarily suspended. Although the Group reduced its pesticides selling prices in response to the changes in pesticides market conditions which resulted in increase in overall sales revenue in 2003, the impact of competition was still very intense. As a result, the Group recorded an increase in turnover of 15% but a decrease in gross profit of 2.5%.

管理層討論及分析 (續)

營運業績 (續)

- 本公司就本公司股份於二零零三年十月透過介紹方式在聯交所主板上上市所產生專業費用及其他開支產生4,500,000港元上市開支；及
- 二零零三年並無產生任何研究及開發開支，二零零二年則因本集團大部分核心開發項目已進入最後開發階段而產生6,900,000港元開支。然而，研究及開發開支日後可能因應多項具潛力產品之研究而有所增加。

本集團於二零零三年錄得6,300,000港元中國所得稅開支，而二零零二年同期則為零，乃由於福建金澤可獲豁免繳納截至二零零一及二零零二年兩個年度之中國所得稅。

業務回顧

本集團為提供採用分子推進劑技術的優質化學農藥供應商。本集團之農藥金澤靈一號及稻癭蚊淨持續為本集團於二零零三年整體營業額產生貢獻。本集團並無海外業務，旗下產品只於國內市場銷售。本集團集中開發及生產分子推進劑，同時將農藥製造工作外判予一名獨立加工代理負責。本集團現正開發兩種用以滅絕稻水象甲及水稻螟蟲之新農藥，以及一種用以滅絕於城市溝渠滋生之蚊蟲之新殺蟲劑。

如二零零二年般，本集團於二零零三年同樣面對嚴峻的經營環境及激烈競爭。嚴重急性呼吸系統綜合症於二零零三年爆發，對本集團業務構成不利影響。於二零零三年第二季，本集團暫停市場推廣及分銷活動。儘管本集團因應農藥市況轉變調低農藥售價，致使二零零三年整體銷售收益上升，惟競爭仍然非常激烈。因此，本集團錄得營業額增加15%，毛利則減少2.5%。

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BUSINESS REVIEW (Continued)

To strengthen the recognition of the Group's image and products in 2003, the Group continued to enhance the marketing activities and launched a series of television advertising programs in the PRC. Besides the advertisements, the Group promoted its products through its sales service centers and performed demonstrations and training programs to farmers in rural areas. The directors of the Company (the "Directors") believed that these activities would benefit the Group in the longer term.

In April 2003, the Group sold the land use right of a parcel of land in Quanzhou, Fujian Province, the PRC, originally held for the development of production facility for the Group. An approximate gain of HK\$0.4 million was recognised from the disposal. As a replacement to the site for production facility and to cater for future business development, the Group acquired an alternative site in Ma Wei District, Fuzhou, Fujian Province, the PRC. As the Group's new products have yet to be launched, the production facility was not fully utilised. The Group leased a portion of the premises in the production facility to an independent third party commencing January 2004.

On 27 October 2003, the Company's shares were withdrawn from the Growth Enterprise Market and successfully listed on the Main Board of the Stock Exchange by way of introduction. The Directors anticipated that listing of the shares on the Main Board would further enhance the public profile of the Company and recognition from larger institutional investors and also raise the image and recognition of the Group's products.

業務回顧 (續)

於二零零三年，為加強本集團形象及產品之認知度，本集團持續加強市場推廣活動，並於中國推行一連串電視廣告節目。除推出廣告外，本集團亦透過其銷售服務中心推廣旗下產品，並向位於鄉鎮地區之農戶進行產品示範及培訓課程。本公司董事（「董事」）相信，長遠而言，這些活動有利於本集團發展。

於二零零三年四月，本集團出售一幅位於中國福建省泉州之地皮之土地使用權，該幅地皮原由本集團持有作發展生產基地之用。已就該項出售確認約400,000港元收益。本集團另於中國福建省福州市馬尾區購入一幅地皮連樓宇，以取代該幅用以興建生產基地之地皮，配合未來業務發展。由於本集團尚未推出新產品，故生產基地仍未全面運用，本集團自二零零四年一月起向一名獨立第三方出租生產基地部分物業。

本公司股份於二零零三年十月二十七日撤銷創業板之上市地位，並成功透過介紹形式在聯交所主板上市。董事預期股份於主板上市，將進一步提升本公司之公眾形象，並獲得較大型機構投資者之認同，提升本集團產品之形象及認知度。

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LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources and working capital

The Group has generally financed its working capital requirements by using cash generated from operations. Cash from operations is principally placed in bank as fixed deposit. At 31 December 2003, the Group had shareholders' funds of HK\$256,920,000 (2002: HK\$229,568,000), working capital of HK\$145,645,000 (2002: 182,242,000) and its working capital ratio was 13.2 to 1 (2002: 34.7 to 1). At 31 December 2003, the Group had cash and bank balances of HK\$156,477,000 (2002: HK\$185,106,000). The Directors believe that the Group has sufficient working capital to meet its present requirements.

Capital structure of the company

The Group is financed by the shares issued and retained earnings. There was no change in capital structure of the Company during the year.

Material acquisitions and disposals of investments

There were no material acquisitions or disposals of subsidiaries or affiliated companies during the year.

Significant capital expenditure

During the year, the Group had capital expenditures of HK\$73.2 million principally for the establishment of its production facilities in the PRC. The Group completed the establishment for its production facilities including the acquisition of a parcel of land with buildings in Ma Wei District, Fuzhou, Fujian Province, the PRC with a gross floor area of approximately 31,341 square meters.

Other than those disclosed in the above, the Group had no significant capital expenditure during the year.

流動資金、財務資源及資本架構

財務資源及營運資金

本集團一般以經營活動所得現金撥付其營運資金所需。來自經營業務之現金主要存放於銀行作為定期存款。於二零零三年十二月三十一日，本集團之股東資金為256,920,000港元（二零零二年：229,568,000港元），營運資金為145,645,000港元（二零零二年：182,242,000港元），而營運資金比率則為13.2 : 1（二零零二年：34.7 : 1）。於二零零三年十二月三十一日，本集團之現金及銀行結餘為156,477,000港元（二零零二年：185,106,000港元）。董事相信本集團具充裕營運資金應付其目前所需。

公司資本架構

本集團以發行股份及保留盈利撥付其經營所需。年內，本公司之資本架構並無任何變動。

重大投資收購及出售

年內，並無進行有關附屬公司或聯屬公司之重大收購或出售。

重大資本開支

年內，本集團之資本開支73,200,000港元主要用作於中國設立生產基地。本集團已完成該生產基地之設立工作，包括於中國福建省福州市馬尾區購入一幅建築面積約31,341平方米之地皮連樓宇。

除上述披露者外，本集團於年內並無任何重大資本開支。

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LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

(Continued)

Details of charges on the Group's assets

The Group had no charge on its assets as at 31 December 2003.

Details of future plans for material investment or capital assets

The Group's future plans for material investments or capital assets are expected to be in line with the details set out in the section of "Future plans and prospects" in the Listing Document of the Company dated 29 September 2003.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2003.

INDEBTEDNESS

Borrowings and gearing ratio

As at 31 December 2003, the Group did not have any bank facilities in place and there were no bank borrowings outstanding. The Group's gearing ratio, measured by total borrowings to the shareholders' funds, was zero.

Foreign exchange exposure

The Directors believe that the exchange rate risk of the Group is minimal because the Group's business transactions are principally in Renminbi in the PRC, which was relatively stable during the year.

流動資金、財務資源及資本架構 (續)

本集團資產抵押詳情

本集團於二零零三年十二月三十一日並無抵押任何資產。

未來重大投資或資本資產計劃詳情

本集團日後關於重大投資或資本資產之計劃，預期與本公司日期為二零零三年九月二十九日之上市文件中「未來計劃及前景」一節所載詳情相符。

或然負債

於二零零三年十二月三十一日，本集團概無任何重大或然負債。

債務

借貸及資本負債比率

於二零零三年十二月三十一日，本集團並無任何銀行融資，亦並無任何未償還銀行借貸。本集團按借貸總額相對股東資金計算的資本負債比率為零。

外匯風險

董事相信，由於本集團之業務交易主要於中國以人民幣為單位，而人民幣匯率於年內相當穩定，故本集團面對的匯率風險甚微。

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EMPLOYEE INFORMATION

As at 31 December 2003, the Group had 54 full time employees of which 5 were based in Hong Kong and the remaining in the PRC. Staff costs were HK\$5.1 million in 2003 as compared to HK\$4.1 million in 2002. The increase was mainly due to the annual increment, addition of staffs and more frequent overtime of staff to prepare for the listing exercise. The Group's employees were remunerated according to the nature of their duty and market trend, with discretionary bonus and benefit of retirement scheme, share options and necessary training. The Company would grant share options to employees based on performance evaluation in order to provide incentive and reward to them.

AUDIT COMMITTEE

The audit committee meets regularly with the management to review the accounting principles and practices adopted by the Group and discuss auditing, internal control and financial reporting matters including the review of quarterly unaudited consolidated financial statements and annual audited consolidated financial statements. The members of the audit committee are Mr. Sun Juyi, Mr. Lam Ming Yung and Mr. Jiang Ming Le.

PROSPECT

It is expected that the Group will continue to face severe operating environment and intensive competition in 2004 as import of pesticides has substantially increased following China's accession into World Trade Organisation. Commencing from January 2004, the ban of over 60 chemical pesticides exported by other supplier to European Union has further increased the supply in the PRC. The Directors consider that the Group's sale will directly be affected by this increasing supply and competition in the PRC. As a result, the Group will likely record a lower revenue for the current cropping season of paddy rice between January and June 2004, and the Group's results for the same period will likely be materially affected accordingly.

The year of 2004 will be a more challenging year for the Group. The Directors consider that increasing competition will adversely affect prices and profit margins in the year.

Looking ahead, the Group will continue to consolidate its existing businesses while exploring new business opportunities that will complement and enhance its existing business.

僱員資料

於二零零三年十二月三十一日，本集團共有54名全職僱員，當中5名駐於香港，其餘則為中國員工。二零零三年之員工成本為5,100,000港元，而二零零二年則為4,100,000港元。員工成本增加主要由於年度加薪、增聘員工及員工為籌備上市而增加超時工作所致。本集團僱員之薪酬乃按其工作性質及市場趨勢釐定，並可享有酌情花紅及退休計劃福利、購股權及有關培訓。本公司會按表現評估結果向僱員授出購股權以提供獎勵及獎賞。

審核委員會

審核委員會定期與管理層舉行會議，審閱本集團所採納之會計原則及慣例、討論核數、內部監控及財務申報事宜，包括審閱每季之未經審核綜合財務報表及年度經審核綜合財務報表。審核委員會成員包括孫聚義先生、林明勇先生及蔣鳴樂先生。

展望

隨著中國加入世界貿易組織，農藥入口大幅飆升，預期本集團於二零零四年將繼續面對嚴峻的經營環境以及劇烈競爭。自二零零四年一月起，歐盟禁止逾60種由其他供應商出口的化學農藥在歐盟區內銷售，進一步增加中國市場的供應量。董事認為，本集團之銷售將直接受國內不斷增加之供應及競爭日益加劇所影響。因此，於二零零四年一月至六月的水稻季節期內，本集團的銷售收益將可能下降，而對本集團同期之業績可能帶來重大不利影響。

二零零四年將為本集團帶來更多挑戰。董事認為，競爭加劇將對年內之價格及邊際利潤構成負面影響。

展望未來，本集團將繼續鞏固其現有業務，同時探索新商機，以配合及加強現有業務。