

Management Discussion and Analysis 管理層討論及分析



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Results

The Group recorded a consolidated turnover of approximately HK\$332,168,000 for the year ended 31 December 2002, an increase of 5% as compared to last year. Operating loss for the year was approximately HK\$128,522,000, a decline of 66% as compared with HK\$374,072,000 last year, while loss attributable to shareholders was approximately HK\$136,854,000, a decline of 63% as compared with last year.

During the year, the Group concentrated on the reform and consolidation of existing business and no investment project was initiated. However, due to the success of restructuring measures, all subsidiaries were able to lower their operation costs effectively, which in turn improved the operational efficiency of the Group as a whole. As a result, its turnover recorded a rise as compared with last year.

業績

本集團截至二零零二年十二月三十一日止年度錄得之綜合營業額約為332,168,000港元，較上年度上升5%。年內錄得的經營虧損約128,522,000港元，較上年度374,072,000港元下降66%；股東應佔虧損則約136,854,000港元，較上年度下降63%。

年內，本集團集中整頓和鞏固現有業務，並無開展投資項目。不過，由於成功推行重組措施，各附屬公司均能有效地降低營運成本，令本集團之整體營運效益得以改善。因此，營業額較上年度為高。



業務回顧

本集團於二零零二年之業務因若干附屬公司遇到營運效率上的問題而受到影響，以下為本集團各業務之表現：

(一) 製造及貿易

工業油脂產品

積架石油化工集團有限公司及其附屬公司(「積架集團」)

積架集團於二零零二年之總營業額約為52,000,000港元，較上年度43,000,000港元上升21%。

積架集團之營業額中81%來自中華人民共和國(「中國」)，18%來自香港，其餘來自東南亞各國。中國及香港之營業額分別錄得25%及3%之增長。

由於積架集團有效進行控制成本及改善營運效率，令業務得以轉虧為盈，由二零零一年之淨虧損轉為錄得輕微純利。

Business Review

The Group's businesses in year 2002 were marked with operating efficiency problems in certain subsidiaries and a summary of their performance is as follows:

(1) Manufacturing and Trading

Industrial Lubricant Products

Jaeger Oil & Chemical Holdings Limited and its subsidiaries ("Jaeger Group")

Jaeger Group recorded a total turnover of approximately HK\$52 million in 2002, an increase of 21% as compared to HK\$43 million of last year.

Jaeger Group generated 81% of its turnover from the People's Republic of China (the "PRC" or "China"), 18% from Hong Kong and the balance from countries in Southeast Asia. Turnover from the PRC and Hong Kong recorded an increase of 25% and 3% respectively.

Due to effective measures in cost control and improved operational efficiency, Jaeger Group was able to achieve a turnaround from its 2001's net loss to reporting a small net profit.

業務回顧(續)

(一) 製造及貿易(續)

工業油脂產品(續)

積架集團於二零零二年積極拓展華中、華北及西北地區的內銷市場，從而鞏固上海、寧波、無錫、常州、蘇州、南京及西北之分銷網絡，同時又配合中國政府加速開發西部之政策，於西安、蘭州、重慶及成都等主要工業城市設立分銷網。此外，積架集團亦繼續進軍東南亞市場，繼二零零一年在新加坡及馬來西亞委任分銷商後，更於二零零二年在泰國及越南設立全新之分銷點，進一步擴大銷售網絡。

繼二零零一年五月重奪日本頂級壓鑄系列「日米株式會社」(Nichibei)全線產品於香港及中國之總代理權後，積架集團積極推廣「日米」產品系列，於回顧年度內，銷售迅速上升，較二零零一年高出約93%。

積架集團於來年在華南及香港市場之業務預計將跟隨歐美經濟逐步復甦而有穩定增長。另外，隨着中國入世，外資投入中國增加，生產商勢將為提高產品質素而增加使用高檔工業潤滑油，令積架集團前景更為明朗。

Business Review (cont'd)

(1) Manufacturing and Trading (cont'd)

Industrial Lubricant Products (cont'd)

In 2002, Jaeger Group had been actively engaged in the expansion of the domestic markets in central, northern and northwestern China, thereby strengthening the distribution networks in Shanghai, Ningbo, Wuxi, Changzhou, Suzhou, Nanjing and northwestern China. New distribution networks were also set up in major industrial cities such as Xian, Lanzhou, Chongqing and Chengdu, in response to the government policy of expediting the development of the western China. In addition, Jaeger Group continued to expand into the Southeast Asian markets, following the appointment of distributors in Singapore and Malaysia in 2001. Its distribution network was further enlarged by establishing new distribution points in Thailand and Vietnam in 2002.

In May 2001, Jaeger Group had successfully reacquired the sole distributorship for Hong Kong and the PRC of the Nichibei's range which is the top range of die-casting products in Japan. Since then, Jaeger Group started to promote the series of Nichibei products actively and during the year under review, recorded a significant sales increase of 93% over 2001.

For the coming year, Jaeger Group's business is expected to experience a steady growth in southern China and Hong Kong markets, which are benefiting from a gradual economic recovery in Europe and the U.S.. Subsequent to China's accession to the World Trade Organisation and as its economy improves, more domestic manufacturers will tend to use higher quality industrial lubricants to improve the quality of their products. Accordingly, the prospects of Jaeger Group should remain positive.

業務回顧(續)

(一) 製造及貿易(續)

門類、木製品及木材餘料電子平台

銀豐集團有限公司及其附屬公司(「銀豐集團」)

銀豐集團二零零二年於製造及貿易業務之分類營業額約為29,000,000港元，其中售予銀豐集團之專業建築業務及對外銷售之營業額分別約為20,000,000港元及9,000,000港元，對外銷售額較二零零一年上升27%。雖然如此，銀豐集團不但未能於二零零二年錄得盈利，其於二零零二年之淨虧損更高於二零零一年年度之淨虧損。改善上述情況的辦法是嚴格控制其與營業額不相配之高生產成本及高行政開支，進一步執行管理層改革，使銀豐集團之營運能賺取利潤。

銀豐集團於此業務之對外銷售營業額大部份來自中國。

由於銀豐集團於二零零二年仍受較高之生產成本影響，即使營業額有所上升，仍未能帶來盈利。不過銀豐集團之產品具市場需求，故將以不同門類為主導產品，而將其他木製品作為輔助產品。銀豐集團透過設立木材餘料電子平台，推動木製品製造廠進行商業配對，此舉有助該等廠商解決木材餘料的問題，同時運用銀豐集團既有的市場網絡，逐步由項目作主導轉向零售作主導，拓展毛利空間，提高盈利貢獻。

銀豐集團年內承接並完成了上海世貿濱江花園第一期木門及防火防盜門的供貨及安裝項目，令其本身之「百闢門」品牌已經在中國高檔市場闖出了一定的知名度。

Business Review (cont'd)

(1) Manufacturing and Trading (cont'd)

Doors, timber products and e-platform for residual timber material

Enful Holdings Limited and its subsidiaries ("Enful Group")

Segment turnover of manufacturing and trading business of Enful Group in 2002 amounted to approximately HK\$29 million, out of which approximately HK\$20 million was generated from sales to specialised construction contracting business segment of Enful Group and approximately HK\$9 million from external sales, representing an increase of 27% over the external sales of 2001. Not only was Enful Group unable to revert to profitability for year 2002, its net loss had increased when compared to 2001's net loss. The answer is to firmly control its high production costs and high administrative expenses, which were not in alignment with its turnover and further managerial reforms will be aggressively implemented to trim costs so that Enful Group's operations could become profitable.

External sales of this business segment substantially came from the PRC.

As Enful Group was still affected by higher production costs in 2002, the increased turnover did not generate any profit. Nevertheless, there is a market for its product. Doors of different types will become the mainstream products of Enful Group, which will be supplemented by other timber products. By establishing an e-platform for residual timber material, business matching among timber product manufacturers can be facilitated as it assists the timber product manufacturers to solve their problem of handling timber residue. By capitalising on Enful Group's existing market network and gradually transforming from project-orientation to retail-orientation, it is expected that both the profit margin and contribution will be enhanced.

Enful Group secured and completed the wooden and fire proof doors supply and installation project for Shanghai Shi Mao Riviera Garden phase I. Its own brandname of "Bridgman" had been gaining recognition at the higher end market in the PRC.

業務回顧(續)

(一) 製造及貿易(續)

門類、木製品及木材餘料電子平台(續)

鑑於於二零零二年上海和珠江三角洲(「珠三角」)兩大區域的營業額大幅增長，銀豐集團將於二零零三年在多個具代表性的建材超市設點銷售「百聞」品牌的門類。銀豐集團深信能配合有效的供應鏈管理及經營模式，由品牌建立、品牌及產品設計作主導，力爭使「百聞門」於未來數年成為中國的知名品牌。

(二) 專業建築業務

銀豐集團

銀豐集團自二零零零年開始承接的多項建築及環保工程項目已陸續於二零零二年內完成，於專業建築業務之營業額較二零零一年上升90%。銀豐集團二零零二年於此業務之營業額約為38,000,000港元，手頭合約總額約10,000,000港元。

銀豐集團於此專業建築業務之營業額絕大部份來自香港。

為了減低對門類業務的依賴，銀豐集團於去年已先後開發多項建築相關業務，例如環保建材及工程項目，年內完成的消音噴塗工程主要為西鐵元朗及朗平站。除了針對既定的目標市場外，銀豐集團亦已在北京、上海、深圳及廣州建立了銷售網絡，以擴大市場覆蓋面。

多利加工程集團有限公司及其附屬公司(「多利加集團」)

多利加集團於二零零二年之總營業額約為139,000,000港元，較上一年之93,000,000港元高出50%，手頭合約總額約為75,000,000港元。

Business Review (cont'd)

(1) Manufacturing and Trading (cont'd)

Doors, timber products and e-platform for residual timber material (cont'd)

In view of the rapid growth of turnover recorded in Shanghai and Pearl River delta region in 2002, Enful Group plans to set up several sales outlets of doors under the brandname of "Bridgman" at reputable construction materials supermarkets in 2003. Facilitated by effective supply-chain management and operational mode, Enful Group is determined to make "Bridgman Door" a renowned brand in China over the next few years by means of brand building and product design.

(2) Specialised Construction Contracting

Enful Group

In 2002, Enful Group completed the several construction and environmental protection engineering projects secured since 2000, resulting an increase of 90% in the turnover from specialised construction contracting when compared to 2001. Enful Group recorded a turnover of approximately HK\$38 million for 2002, while the value of the contracts on hand amounted to approximately HK\$10 million.

Turnover of this specialised construction contracting business segment was significantly generated from Hong Kong.

Enful Group had made various attempts in exploring various construction-related businesses, such as environmental construction materials and projects, to reduce its reliance on its door business. Major acoustic plaster projects completed during the year included West Rail Yuen Long and Long Ping Stations. Apart from focusing on its targeted market, the Enful Group also expanded its market coverage by establishing sales networks in Beijing, Shanghai, Shenzhen and Guangzhou.

Polycrown Engineering (Holdings) Limited and its subsidiaries ("Polycrown Group")

Polycrown Group recorded a total turnover of approximately HK\$139 million in 2002, an increase of 50% as compared to HK\$93 million of last year. The value of the contracts on hand amounted to approximately HK\$75 million.

業務回顧(續)

(二) 專業建築業務(續)

多利加集團之營業額中12%來自中國，88%來自香港。雖然營業額有所增加，但仍未能於二零零二年轉虧為盈，其於二零零二年之虧損淨額與去年相約。為達到盈利，多利加集團將削減其高經營成本以增加其利潤並對管理問題進行認真的檢討。

多利加集團於香港及國內大部份機電工程項目已陸續完成，現時手頭項目主要為葵涌九號貨櫃碼頭、西鐵美孚站及重慶時代廣場。由於香港市道持續低迷，相信投標工程項目的利潤將較以往微薄。多利加集團管理層將繼續實行嚴格控制成本措施，並加快追收應收賬款，以確保多利加集團在經營上能有穩定的現金流量，從而使該集團於二零零三年在市場維持其競爭力，挑戰困難。

環保工程方面，於二零零二年中標的工程已有回報，香港政府及私人機構等均陸續向多利加集團訂購太陽能照明系統。至於熱能泵水系統亦已獲國內若干建築工程採用，可見多利加集團已成功打入國內若干市場。

瑞和集團工程有限公司及其附屬公司(「瑞和集團」)

瑞和集團於二零零二年之總營業額約為73,000,000港元，較二零零一年139,000,000港元下降47%，手頭合約總額約為112,000,000港元。

瑞和集團之營業額85%來自中國，15%來自香港。瑞和集團於二零零二年未能錄得溢利，基於瑞和集團於二零零二年強差人意的表現，本集團已對瑞和集團的管理問題進行認真的檢討。

Business Review (cont'd)

(2) Specialised Construction Contracting (cont'd)

Polycrown Group derived 12% and 88% of its turnover from the PRC and Hong Kong respectively and whilst there was an increase in turnover, it was still unable to revert to profitability for 2002. Its net loss for 2002 was approximately the same as that of the previous year. In order to achieve profitability, Polycrown Group will have to cut down its high operating costs to increase its profit margin and put a firm grip on managerial control at operational level.

Polycrown Group had progressively completed most of its electrical and mechanical projects in Hong Kong and China. Currently, major projects on hand include Kwai Chung Container Terminal No. 9, the Mei Foo station of the KCRC West Rail, and Chongqing Times Square. Due to the persistent stagnant market condition in Hong Kong, it is expected that the profit margin provided by tendered projects will be lower than before. Although the management of Polycrown Group will pursue stringent cost control measures and accelerate the collection of accounts receivable to ensure a stable operating cashflow, the markets in which Polycrown Group competes will remain competitive and challenging in year 2003.

In respect of environmental protection projects, projects granted in 2002 started to generate returns. Polycrown Group received orders for its solar electric power lighting systems from both the Hong Kong government and the private sector, and its heat pumping systems were adopted by several construction projects in China. The Polycrown Group has therefore, successfully diversified into the market of China.

Condo Group Limited and its subsidiaries ("Condo Group")

Condo Group recorded a total turnover of approximately HK\$73 million in 2002, a decline of approximately 47% as compared to HK\$139 million of last year. The value of the contracts on hand amounted to approximately HK\$112 million.

Condo Group derived 85% and 15% of its turnover from the PRC and Hong Kong respectively and was unable to report profit for 2002. As a result, the Group had taken a critical review on Condo Group's management problem, which attributed to Condo Group's poor performance in 2002.

業務回顧(續)

(二) 專業建築業務(續)

瑞和集團在年內集中鞏固業務及進行債務重整。於步入二零零三年，瑞和集團若干成員公司已開始了建議進行的自願債務重整計劃。這些計劃是否成功則將取決於多個因素及有待批核。因此，於二零零二年香港玻璃幕牆及外牆安裝業務受到影響。在中國內地方面，北京大使公寓項目完工所賺取的收入足以為瑞和集團帶來營業額。此外，瑞和集團致力加強追回應收賬款及精簡行政架構，較上一年有效減低二零零二年的虧損。

上海金橋瑞和裝飾工程有限公司繼二零零一年完成上海科技館屋面工程後，將跟進上海市政府管轄的其他工程項目。

展望二零零三年，瑞和集團將試圖完成上述重組及對營運附屬公司作完善的管理，以進一步擴充業務及鞏固其在中國玻璃幕牆安裝業務之領導地位。這些改變有助瑞和集團藉著二零零八年北京奧運會及二零一零年上海世界博覽會之龐大建築市場機遇而受惠。

(三) 地產發展及管理

中環雲咸街29號東方有色大廈

二零零二年度東方有色大廈的出租率達91%，而租金收入和租客質素亦十分理想，為本集團帶來約10,000,000港元的租金收益，租客包括一些跨國企業駐港辦事處。

由於香港經濟呆滯，加上中環之商用物業日後供應大增及商用物業市道需求疲弱，本集團已於年內聘用信譽昭著之國際物業管理公司，以提供更佳之專業物業管理服務，並採取有效措施提高租賃及物業管理水平，以提高東方有色大廈之價值。

Business Review (cont'd)

(2) Specialised Construction Contracting (cont'd)

During the year, Condo Group focused on consolidation and debt restructuring. Going into 2003, certain member companies of Condo Group had begun to undergo proposed voluntary debt restructurings, the completion of which will be subject to a number of factors and approvals. As a result, the Hong Kong curtain wall and window installation operations in 2002 were affected. In China, the Beijing Embassy House had been completed and the revenues generated were able to contribute to Condo Group's turnover. By better control on the collection of accounts receivable and streamlining administrative structure, the loss in 2002 was reduced, when compared to the loss of the previous year.

Following the completion of the roof cladding work for Shanghai Science Land in 2001, Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd. will follow up with other projects supervised by the Shanghai Municipal Government.

Going forward into 2003, Condo Group will try to complete the aforementioned restructurings and provide better managerial control at operating subsidiary level in order to further expand its operations and to consolidate its position in the PRC curtain wall and window installation businesses. These changes should bode well for Condo Group to take advantage of the business opportunities arising from the Beijing Olympics 2008 and the Shanghai World Expo 2010.

(3) Property Development and Management

ONFEM Tower, 29 Wyndham Street, Central

The average occupancy rate of ONFEM Tower stayed over 91% in 2002, and the rental income and the quality of tenants remained satisfactory. It contributed rental income of approximately HK\$10 million for the Group. Tenants included international and multinational conglomerates with their respective branch offices in Hong Kong.

In view of the sluggish Hong Kong economy, the forthcoming large supply in commercial spaces and weak demand in commercial property market in Central, the Group had retained an international property management company in good repute during the year to provide better professional building management services and to adopt effective measures to improve leasing and property management in order to enhance the value of the ONFEM Tower.

業務回顧(續)

(三) 地產發展及管理(續)

中國珠海海天花園項目

為對該發展項目作更完善之監控，本集團為珠海海天花園項目引入項目經理責任制，方式是委任一名香港建築專業顧問加入高級管理層，以加強該發展項目之整體管理工作。

珠海海天花園項目目前已完成地面以下結構工程的施工程序，並正向當地機構申報和辦理最終的工程驗查手續。完成有關檢查後，本集團將展開上蓋工程。

經過一段時間的調整，珠海的房地產市場已漸趨穩定。隨著珠三角、香港與澳門合作關係的不斷加強及港珠澳大橋的規劃，加上珠海獨有的地理優勢和優異的自然環境，本集團對針對高檔住宅及商業市場之海天花園的前景仍抱審慎態度。

珠海之物業市道仍有不足，區內對高檔商住物業之需求疲弱，且供應不缺，再加上一直以來都倚賴外來投資者不穩定之需求，故本集團能否從此項目為其股東賺取回報，有賴於項目發展各方面的規範和自律。

海天花園(第一期)預期於二零零四年九月落成。

Business Review (cont'd)

(3) Property Development and Management (cont'd)

Haitian Garden, Zhuhai, China

In order to better control this development project, the Group introduced a project manager accountability scheme for the Zhuhai Haitian Garden project by appointing a construction consultant specialist from Hong Kong as a member of the senior management who would be responsible for improving the overall management of this development project.

The substructure works for Haitian Garden had been completed, and the application for final inspection of the said works by local authorities is now in progress. Upon completion of such inspection, the Group will proceed with the superstructure construction works.

After a period of adjustments, the property market in Zhuhai appears to be more stable. With the strengthening of cooperation among Pearl River delta region, Hong Kong and Macau, the prospect of Hong Kong-Macau-Zhuhai bridge, and the geographical location and natural environment of Zhuhai, the Group is cautious about the future prospect of the Haitian Garden, which is for higher end residential and commercial market.

The property market in Zhuhai remains a difficult one, with no shortage of supply of, and weak local demand for, higher end residential and commercial properties and an inherent reliance on outside investors' fluctuating demand, and the ability of the Group to earn a return for its shareholders in this project will require a very disciplined approach on all aspects of the development.

Phase I of Haitian Garden is expected to be completed in September 2004.

業務回顧(續)

(四) 基建項目投資

京域高速公路有限公司(「京域」)

京域的全資附屬公司京冠高速公路有限公司(「京冠」)於二零零零年六月十二日被香港高等法院勒令清盤。按京冠清盤人於二零零二年十二月十九日發出之公告，表示於二零零二年十二月十六日，京冠與Smart Watch Assets Limited 簽立了有關北京地區四個收費公路項目權益之買賣協議，據此，京冠以約1,560,000,000港元的代價出售京冠的權益予Smart Watch Assets Limited。是項交易並已獲東加勒比海國家最高法院批准。本集團將設法維護本身的最終利益。

展望

縱使本集團預計前景理想，惟仍要注意，積架集團、銀豐集團、瑞和集團及多利加集團經營之業務均面對激烈競爭。根據以往累積之經驗，本集團得以制訂更審慎及保守之方針，專注本身之業務。展望未來，本集團除了要提高公司管治水平及節省成本措施外，更應着重開拓市場以提高集團整體投資回報率。近期在中國內地、香港及其他亞洲國家爆發之非典型肺炎將對區內經濟構成嚴重影響。總括而言，二零零三年將充滿考驗，而管理層為本集團股東提高投資價值時，亦會力求審慎行事。

流動資金及財務資源

本集團之財政狀況良好。於二零零二年十二月三十一日，資本與負債的比率(指借款總額與資產總值之比率)維持於14.3%(二零零一年：17.5%)。於二零零二年十二月三十一日，現金及銀行存款(包括已抵押存款)合共約為312,000,000港元(二零零一年：412,000,000港元)。

Business Review (cont'd)

(4) Infrastructure Investment

Greater Beijing Region Expressways Limited ("GBRE")

A winding-up order was issued by the High Court of Hong Kong against Greater Beijing First Expressways Limited ("GBFE"), a wholly-owned subsidiary of GBRE on 12 June 2000. According to the announcement published by the liquidators of GBFE on 19 December 2002, it was announced that GBFE and Smart Watch Assets Limited had entered into a sale and purchase agreement in relation to 4 toll roads projects in Beijing on 16 December 2002. Pursuant to which, GBFE would sell its interests to Smart Watch Assets Limited for a consideration of approximately HK\$1,560 million. The transaction was approved by the Eastern Caribbean Supreme Court. The Group will make every endeavor to ensure that its interest is protected.

Prospects

Whilst the Group is anticipating a brighter future, it is worth mentioning that each of Jaeger Group, Enful Group, Condo Group and Polycrown Group is engaged in businesses which have considerable competition. Events of the past year have enabled us to formulate a more cautious and disciplined focus on the principal businesses of the Group. Going forward, notwithstanding that the enhanced corporate governance and cost control measures as mentioned above will better position the Group to compete, the ability to expand market shares with reasonable returns will continue to be a balancing act. The recent outbreak of the Severe Acute Respiratory Syndrome in China, Hong Kong and other Asian countries will have a severe adverse impact on regional economies. In summary, year 2003 will likely be challenging and the management will strive to work diligently and prudently in enhancing shareholder value of the Group.

Liquidity and Financial Resources

The Group's financial position remains healthy. As at 31 December 2002, its gearing ratio, representing a ratio of total borrowings to total assets, was maintained at 14.3% (2001: 17.5%). Its cash and bank deposits (including pledged deposits), in total, amounted to approximately HK\$312 million as at 31 December 2002 (2001: HK\$412 million).

流動資金及財務資源(續)

本集團透過各種方式獲得資金來源，以維持成本與其風險之間的平衡。於二零零二年十二月三十一日，除來自一般營運之資金、現金及銀行存款外，本集團亦透過銀行借款獲得資金約131,000,000港元(二零零一年：206,000,000港元)。

於二零零二年十二月三十一日，以人民幣列值之銀行借款約為39,000,000元人民幣(二零零一年：65,000,000元人民幣)，但並無以美元列值之銀行借款(二零零一年：5,000,000美元)，餘下之銀行借款乃以港元列值。除一筆29,000,000元人民幣之銀行借款外，本集團之銀行借款乃按浮動利率計息。

本集團之資本承擔乃由銀行借款提供部份資金。

財務風險及管理

本集團財務風險管理策略包括資金來源多元化、延長信貸期限及分散還款到期日。截至二零零二年十二月三十一日止年度，財務成本由二零零一年約9,000,000港元減至約8,000,000港元。

本集團於二零零二年十二月三十一日之借款總額約為134,000,000港元(二零零一年：約208,000,000港元)。借款須於下列期間償還：

一年內
第二年
第三年至第五年
第五年後

Liquidity and Financial Resources (cont'd)

The Group obtained its source of fund through various means in order to maintain a balance between cost and risk. Apart from the fund generated from normal operations and the cash and bank deposits, the Group also obtained its source of fund from bank borrowings amounted to approximately HK\$131 million as at 31 December 2002 (2001: HK\$206 million).

As at 31 December 2002, the bank borrowings denominated in Renminbi ("RMB") were approximately RMB39 million (2001: RMB65 million) and no bank borrowings are denominated in US dollars ("US\$") (2001: US\$5 million). The remaining balances were denominated in Hong Kong dollars. Except a RMB29 million bank loan, all the Group's bank borrowings are on a floating rate basis.

Capital commitments of the Group are partly financed by bank borrowings.

Financial Risk and Management

The Group's strategies towards financial risk management include diversification of funding sources, extension of credit period and dispersal of maturity dates. For the year ended 31 December 2002, finance costs decreased to approximately HK\$8 million from approximately HK\$9 million in 2001.

The total borrowings of the Group as at 31 December 2002 amounted to approximately HK\$134 million (2001: approximately HK\$208 million). The borrowings were repayable as follows:

	二零零二年 2002 千港元 HK\$'000	二零零一年 2001 千港元 HK\$'000
Within one year	134,364	204,631
In the second year	58	193
In the third to fifth years	—	758
After the fifth year	—	2,423
	<u>134,422</u>	<u>208,005</u>

匯率浮動風險

本集團大部份交易均以港元、人民幣及美元列值。鑑於港元兌人民幣之匯率一直保持穩定，而且相信日後將繼續如是，故本集團並無採取任何對沖風險或其他措施。於二零零二年十二月三十一日，本集團並無面臨任何有關外匯合約、利息或貨幣掉期或其他金融衍生工具之重大風險。

集團資產抵押

於二零零二年十二月三十一日，本集團抵押若干投資物業、土地及樓宇，賬面值共約206,000,000港元（二零零一年：237,000,000港元），作為本集團銀行信貸之抵押品。此外，本集團抵押約102,000,000港元（二零零一年：133,000,000港元）之定期存款，作為一般銀行信貸及發出履約保函之抵押品。本集團若干存貨乃以信託收據借款安排持有。

或然負債

於二零零二年十二月三十一日存在之或然負債如下：

- (a) 本集團就有關建築合約之責任而向建築合約僱主提供之擔保約為16,000,000港元（二零零一年：93,000,000港元）。
- (b) 本公司就若干附屬公司所獲之銀行信貸而向多間銀行提供企業擔保約107,000,000港元（二零零一年：255,000,000港元）。於二零零二年十二月三十一日，本公司就該等企業擔保於本公司之賬目作出撥備合共約97,000,000港元（二零零一年：98,000,000港元）。

Exposure to Fluctuation in Exchange Rates

Most of the transactions of the Group were denominated in Hong Kong dollars, RMB and US\$. Given that the exchange rate of Hong Kong dollar against RMB has been and will likely remain stable, no hedging or other alternative measures have been implemented by the Group. As at 31 December 2002, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Group Assets Charging

As at 31 December 2002, the Group pledged certain investment properties and land and buildings with an aggregate carrying amount of approximately HK\$206 million (2001: HK\$237 million) as collateral for the Group's banking facilities. Besides, fixed deposits amounted to approximately HK\$102 million (2001: HK\$133 million) have been pledged by the Group as security for general banking facilities and for issuance of performance bonds. Certain of the Group's inventories were held under trust receipt loan arrangements.

Contingent Liabilities

At 31 December 2002, there were contingent liabilities in respect of the following:

- (a) The Group provided guarantees to employers of construction contracts in respect of obligations arising from the associated construction contracts amounting to approximately HK\$16 million (2001: HK\$93 million).
- (b) The Company provided corporate guarantees to various banks in respect of banking facilities extended to certain subsidiaries amounting to approximately HK\$107 million (2001: HK\$255 million). As at 31 December 2002, the Company had a total provision of approximately HK\$97 million (2001: HK\$98 million) in respect of such corporate guarantees in the Company's accounts.

或然負債(續)

- (c) 本集團已承諾及履行為香港及中國多個客戶完成機電工程項目。就該等項目，本集團計有稅項債務。該等稅款可能引致日後潛在額外費用。由於無法可靠釐定可能出現之額外費用(倘有)，本集團並無為此作出撥備。董事會認為該事項並無對本集團造成任何財務方面的重大影響。
- (d) 本集團有若干由第三方就若干合約工程提出索償之尚未完結訴訟，為數合共約12,000,000港元(二零零一年：12,000,000港元)，本集團並無作出撥備。董事會認為，該事項並無對本集團造成財務方面的重大影響。

僱員

於二零零二年十二月三十一日，本集團共聘用482名僱員(包括本公司之董事)。年內董事及僱員之酬金及福利總額約為64,000,000港元(二零零一年：71,000,000港元)。本集團之薪酬政策與市場慣例一致，並按照個別僱員之表現及經驗而釐定酬金。

承董事會命
王幸東
 董事總經理

香港，二零零三年四月二十四日

Contingent Liabilities (cont'd)

- (c) The Group has undertaken and performed electrical and mechanical engineering work for various customers in Hong Kong and the PRC. In respect of such projects, the Group has tax obligations which may result in potential additional charges. No provision has been made on the potential additional charges by the Group since the amount of additional charges, if any, cannot be reliably determined. The Directors are of the opinion that this matter will not have any significant financial impact to the Group.
- (d) The Group has certain outstanding litigations with claims made by third parties of approximately HK\$12 million (2001: HK\$12 million) in aggregate in respect of certain contract works and no provision has been made by the Group. The Directors are of the opinion that this matter will not have significant financial impact to the Group.

Employees

As at 31 December 2002, the Group employed 482 staff (including the directors of the Company). The total remunerations and benefits of the directors and staff during the year was approximately HK\$64 million (2001: HK\$71 million). The Group adopts a remuneration policy in line with market practice, and remuneration is determined with reference to the performance and experience of individual employees.

By Order of the Board
Wang Xingdong
 Managing Director

Hong Kong, 24 April 2003