



Management Discussion and Analysis 管理層討論與分析

BUSINESS REVIEW AND OUTLOOK

In 2004, the Group's businesses performed stably with a better operating results and profit. Turnover increased by 6.5% to HK\$4.14 billion as compared with last year, with profit amounted to HK\$34.59 million. A loss of HK\$89.71 million was recorded last year.

Steel Business

In 2004, the imbalance between supply and demand of basic raw and auxiliary steel materials, coupled with high oil prices, has created waves of price up-surges in the steel markets in the United States, Europe and China.

In particular, during the first half of 2004, the strong Euro and US dollar had driven massive import of steel semi-products and products into the European and American markets, where commodity prices were higher than those in Asian regions, attracting sales to these markets by major steel producers. Meanwhile, China instituted administrative measures to halt those low-level repetitive investment behaviour in certain sectors, including the steel industry. These measures have led to weakened market sentiment. Prices became even more volatile while the market was thin. The buying power of the Chinese market improved in the second half of the year. Consequently, prices recovered steadily. Fuelled by keen demand, import of raw materials such as iron ore fine and various high technology flat steel products, which otherwise could not be satisfied by domestic supply, also increased.

In response to changing market conditions, the Group's trade departments conducted their businesses prudently and made timely adjustments to the operation strategies. In addition to export of domestic steel products and steel slabs to Europe, the Middle East and other Asian countries, it also increased procurement and sales of basic raw materials, like iron ore and iron ore pellets and various flat steel products, resulting in desirable operating performance.

As for our steel manufacturing and processing business, the Group's two plants in Dongguan, China implemented stringent measures to control costs and enhance both productivity and quality, leading to remarkable improvement in turnover and gross profit.

業務回顧與展望

二零零四年，本集團各項業務穩健開展，取得了較好的營運和盈利表現。營業額較去年同期上升6.5%，至41.4億港元，盈利3,459萬港元，去年同期虧損8,971萬港元。

鋼鐵業務

二零零四年，鋼鐵基礎原輔材料供求失衡，油價高企，國際鋼鐵消費市場處於美國、歐洲、中國輪番價格上漲的高價位運行態勢。

特別是上半年，由於強勢歐元和美元帶動大量鋼鐵半成品、成品進口歐美市場，各類商品價格均高於亞洲地區，吸引了主要鋼鐵生產廠商對歐美市場的銷售。同時，中國對鋼鐵等行業低水平重複建設的投資行為採取了降溫的行政調控措施，使得人心怯弱，市場價格波動加劇，交易淡靜。而下半年，中國市場購買力獲得改善，價格穩步回升，對諸如鐵礦砂等原料和國內無法滿足供應的技術含量高的各類板材製品需求殷切，進口數量有所增加。

鑒於市場行情的變化，本集團貿易部門審慎經營，適時改變經營策略，在出口國產鋼材和坯料到歐洲、中東及其它亞洲國家的同時，加大對鐵礦石、球團等基礎原料和各類板材的採購和銷售，取得了較好的營運表現。

在鋼鐵加工製造業務方面，本集團位於中國東莞的兩間工廠嚴控營運成本，提升產能和品質，營業額和毛利均獲得顯著的增長。



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BUSINESS REVIEW AND OUTLOOK (continued)

Steel Business (continued)

The Group believes that steel demand worldwide will maintain its growth. In the long run, the overall economic prospect of China continues to look promising. In response to market demand, the Group's trade departments will continue to increase procurement of raw materials like iron ore and iron ore pellets from different parts of the world, as well as to build up long-term stable supply relationship with large-scale refineries in China. In addition, procurement and sales systems will be instituted integrating all material sources, based on the requirements of different industries, such as automobile, home electrical appliances, IT, machinery and construction, and greater efforts will be placed on the marketing of flat steel products. Export of China-produced steel products will become a long-term market trend in future. As such, the Group will step up its efforts in this respect. Meanwhile, the Group anticipates good prospect in the steel manufacturing and processing industry which focus on providing ancillary services to foreign-invested companies in China, especially those businesses engaged in extended processing services for high value-added products like coated steel sheet, stainless steel sheet and cold-rolled steel sheet. Construction of the Group's new steel sheet processing plant in eastern China, which cater for the IT and home electrical appliances industries, is underway. The plant will become the Group's new area of profit growth when phase one of the project is completed and commences operation this year.

The management anticipates that in 2005, adverse conditions such as high oil prices, inflation and increase in interest rates will persist in the global economy. With a good grasp of the macro-economic trends and industrial cycles, the Group will remain prudent in its operations, so as to create good sales performance and profit contribution.

業務回顧與展望 (續)

鋼鐵業務 (續)

本集團相信，全球的鋼鐵需求仍將保持一定的增長，中國的宏觀經濟形勢仍將長線趨好。基於市場的需求，本集團貿易部門將繼續加強對鐵礦石、球團等原材料在全球的採購，建立與國內大型冶煉鋼廠的長期固定供應關係；因應汽車、家電、IT、機械製造、建築等行業的需求，整合不同貨源的採購和經銷體系，加強板材類商品的市場營銷。而中國鋼鐵產品出口海外，將成為未來長期的市場發展趨勢，本集團將繼續進一步加強這一項工作。同時，本集團看好主力為外商在華投資企業產品配套的鋼鐵加工製造業的發展前景，尤其是專門從事高附加值產品如塗層鋼板、不銹鋼板、冷軋鋼板等產品的延伸加工業務。本集團在華東投資興建的另一間針對IT、家電等行業的鋼板加工工廠已開始動工，項目的第一期將在今年落成投產。屆時將會為本集團帶來新的盈利增長點。

管理層預期，二零零五年全球經濟仍將面臨油價高企、通脹壓力趨升以及利率上升等諸多不利因素。本集團鋼鐵業務將努力把握宏觀經濟趨勢，行業發展周期和市場變化，審慎經營，以實現良好的營銷表現和盈利貢獻。



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BUSINESS REVIEW AND OUTLOOK (continued)

Property Development and Investment

The Group's property development, Times Square in Yangzhou, Jiangsu Province, having a total gross floor area of 68,800 square metres, was able to maintain full occupancy, with remarkable increase in the rental level of newly entered or renewed leases. To cope with its overall development needs, subsidiaries are established to specialise in department store business, property management and intermediary services for real estate, with a view to further enhancing its professional operation and service standards.

The Group believes that the project is a quality RMB asset with great appreciation potential in the long run, as it benefits from the demands produced by economic development in the Yangtze River Delta. By implementing effective operating and management measures, the project will generate satisfactory investment return for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be in a stable financial position and maintains sufficient liquid funds. The disposal of the investment property in Mongkok, Hong Kong in late 2004 has brought the Group extra working capital of approximately HK\$74,436,000 for expansion of businesses and has enhanced the Group's liquidity.

As at 31 December 2004, the Group had cash and bank balance of approximately HK\$267,232,000 (2003: HK\$196,036,000), current ratio (current assets to current liabilities) and gearing ratio (total liabilities to total assets) stood at 1.41 and 0.57 respectively (2003: 1.3 and 0.64 respectively).

業務回顧與展望 (續)

房地產開發及投資

本集團位於江蘇揚州投資興建的68,800平方米的時代廣場維持全面出租，而新一輪新簽租約和續租合約的租金水平獲得明顯的提升。隨著整體發展需要，廣場已相繼成立了專責百貨經營、物業管理及房地產中介業務的公司，務求令廣場的專業化經營、服務水準得以進一步提升。

本集團相信，受惠於長江三角洲經濟的發展需要，該項目是具有長期升值潛力的優質人民幣資產。通過實施有效的經營和管理，該項目將為股東帶來理想的投資回報。

資產流動性及財務資源

本集團持續財務狀況穩定及維持充裕流動資金。在二零零四年底，出售香港旺角的投資物業為集團提供新增營運資金港幣74,436,000元供業務擴展及加強集團之資產流動性。

於二零零四年十二月三十一日，本集團持有現金及銀行結餘約港幣267,232,000元（二零零三年：港幣196,036,000元），流動比率（流動資產與流動負債相比）及負債比率（總負債與總資產相比）分別為1.41及0.57（二零零三年：分別為1.3及0.64）。



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LIQUIDITY AND FINANCIAL RESOURCES (continued)

The Group has developed long-term business relationships with its bankers. Daily operations are well supported by the existing banking facilities. As at 31 December 2004, the bank borrowings of the Group were approximately HK\$565,443,000 (2003: HK\$779,126,000). Excluding the short-term loans on trade finance amounted to approximately HK\$375,470,000 (2003: HK\$446,578,000), the maturity profile of other bank borrowings as at 31 December 2004 was as follows:

		2004 HK\$ million 港幣百萬元	2003 HK\$ million 港幣百萬元
Within one year	一年內	165	141
In the second year	第二年	4	114
In the third to fifth year	第三年至第五年	13	38
After the fifth year	五年後	8	39
		190	332

On 1 March 2005, the Group has arranged a three-year transferable term loan amounted to US\$39,000,000 to refinance the existing debts and to further widen the working capital base.

All the Group's bank borrowings were denominated in Hong Kong Dollar, US Dollar and Renminbi, bearing interest at prevailing market rates. No material exchange risk is expected on the bank borrowings and no financial instruments have been used for hedging purposes during the year ended 31 December 2004.

CONTINGENT LIABILITIES

As at 31 December 2004, the Group had the following contingent liabilities: (i) guarantee for general banking facilities granted to an associate amounted to approximately HK\$21,730,000 (2003: HK\$21,730,000); (ii) Mainland China land appreciation tax amounted to approximately HK\$24,728,000 (2003: HK\$17,820,000); and (iii) guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties amounted to approximately HK\$35,910,000 (2003: HK\$29,689,000).

資產流動性及財務資源 (續)

本集團跟各銀行保持良好長遠業務關係。現有之銀行授信額度給予日常業務充裕支持。於二零零四年十二月三十一日，本集團之銀行貸款約港幣565,443,000元（二零零三年：港幣779,126,000元）。不計短期貿易信貸貸款港幣375,470,000元（二零零三年：港幣446,578,000元），於二零零四年十二月三十一日，其它銀行貸款之還款年期如下：

於二零零五年三月一日，本集團取得39,000,000美元之三年期可轉讓貸款，用以償還到期債務及增添營運資金。

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。預期銀行貸款不會有重大兌匯風險，於截至二零零四年十二月三十一日止年度內，未有行使任何衍生工具作對沖之用。

或然負債

於二零零四年十二月三十一日，本集團有以下或然負債：(i)為聯營公司銀行額度提供擔保約港幣21,730,000元（二零零三年：港幣21,730,000元）；(ii)中國土地增值稅約港幣24,728,000元（二零零三年：港幣17,820,000元）；及(iii)為集團物業購買者按揭融資向銀行提供擔保約港幣35,910,000元（二零零三年：港幣29,689,000元）。



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CAPITAL COMMITMENTS

As at 31 December 2004, the Group had capital commitments contracted but not provided for amounted to HK\$14,913,000 (2003: Nil).

CHARGE ON ASSETS

As at 31 December 2004, the following assets were pledged: (i) certain leasehold land and buildings with a net book value of approximately HK\$101,472,000 (2003: HK\$105,300,000); (ii) certain motor vehicles and machinery of approximately HK\$10,862,000 (2003: HK\$10,737,000); (iii) certain investment properties of approximately HK\$119,339,000 (2003: HK\$362,980,000); (iv) certain inventories of approximately HK\$63,047,000 (2003: HK\$21,822,000) released under trust receipts bank loans; (v) certain short-term investments of equity securities listed in Hong Kong with market value of approximately HK\$9,559,000 (2003: Nil) released under margin facilities; and (vi) bank deposits of approximately HK\$1,394,000 (2003: HK\$3,961,000).

STAFF

As at 31 December 2004, the Group employed 665 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 performances. Training programmes for staff are provided as and when required.

資本承擔

於二零零四年十二月三十一日，本集團已簽約但未撥備之資本承擔約港幣14,913,000元（二零零三年：無）。

資產抵押

於二零零四年十二月三十一日，以下資產已予抵押：(i) 部份租賃土地及樓宇帳面淨值約港幣101,472,000元（二零零三年：港幣105,300,000元）；(ii) 部份汽車及機械約港幣10,862,000元（二零零三年：港幣10,737,000元）；(iii) 部份投資物業約港幣119,339,000元（二零零三年：港幣362,980,000元）；(iv) 部份信託提貨貸款項下存貨約港幣63,047,000元（二零零三年：港幣21,822,000元）；(v) 部份孖展貸款下於香港上市之證券的短期投資市值約港幣9,559,000元（二零零三年：無）；及(vi) 部份銀行存款約港幣1,394,000元（二零零三年：港幣3,961,000元）。

僱員

於二零零四年十二月三十一日，本集團共僱用665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它福利，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。