

業務回顧

BUSINESS REVIEW

本人欣然向全體股東呈報本年度的業務概況，集團的營業額錄得1,422,756,000港元，較去年的1,113,477,000港元增加28%，純利則為103,217,000港元，較去年的60,017,000港元大幅增長72%，扣除一項因出售一個住宅物業而錄得的非經常性收益8,772,000港元後，增幅仍高達57%，如此令人鼓舞的業績絕對是集團在完成業務重整後，其成效獲得了全面的反映。

It gives me great pleasure to report to our shareholders our business performance for the financial year ended on 31st March, 2003. During this period, turnover reached HK\$1,422,756,000, representing a growth of 28% when compared with last year's figure of HK\$1,113,477,000. At the same time, net profit grew strongly by 72% from HK\$60,017,000 to HK\$103,217,000. Even after discounting the non-recurring profit of HK\$8,772,000 attributable to the disposal of a residential property, the growth in net profit was still 57%. This encouraging performance is a reflection of the results of the Group's business restructuring efforts.

過去的一年，集團的業務歷程並不平坦，面對全球經濟呆滯，美國西岸碼頭工潮，本港各工業出口放緩，同業競爭特別激烈等不利因素，特別是下半年，中東局勢緊張，導致原油價格持續攀升至新高水平，各種化工原料的價格也隨著急升和出現緊張供應，為近十年之罕見，對集團各項核心業務的制造成本構成了很大的壓力，令毛利率較上半年下降3.7百分點。在如此充滿挑戰性的一年裡，集團安然渡過，並創下近年佳績，實在有賴於管理層的專注和積極推行、證明行之有效的與員工分享成果的各種激勵方案，此種企業文化的延續和深化，必將令集團有能力，可隨時應付和迎接日後更多不同的挑戰和商機。

During the past year, the business environment which the Group has had to face has been highly challenging: global economic downturn coupled with the dockside labour disputes in the West Coast of the United States have adversely affected Hong Kong's domestic exports and leading to more intensive competition. In the second half, the business environment was further affected by oil price hikes arising from Middle East tensions, causing chemical raw materials prices to soar to heights not seen in the last decade. These factors have put the Group's core businesses under significant cost pressure and have been directly responsible for a 3.7% decline in gross profit ratio in the second half. Yet despite all these challenges, we have been able to achieve the best operating results in recent years. This performance can only be attributable to Management's focus and the sustained implementation of incentive schemes to share the fruits of the Group's success with employees. It is my firm belief that through continued commitment to this corporate culture, we will be able to meet further challenges and to exploit the business opportunities ahead.

高分子化工產品與混合溶劑 High Molecular Chemical Products and Mixed Solvents



儘管面對全球的經濟不振，本港工業出口有放緩的現象，惟該業務通過不斷地優化產品之品質和服務質素，因而在珠江三角洲內的幾個重要行業，如玩具、印刷、電子、木器傢俬等，本公司的市場佔有率都在穩步增加中，期內銷售額錄得308,880,000港元，較去年278,531,000港元增長11%，經營溢利則錄得33,817,000港元，較去年35,864,000港元下降5.7%。

近年來，區內的經營環境發生了一些變化，部份客戶為進一步降低其生產成本和找尋更多的商機，開始在長江三角洲設立新的生產基地，公司正密切注視此一趨勢的發展，已作出相應的各種部署，預期本公司一系列的高分子化工產品在長江三角洲的銷售將會不斷地增加。去年開始籌建的惠陽新廠房，工程一切順利，將如期在本年底建成，明年投入使用，因擴大生產規模和引進更多的自動化設備，新廠的總投資額提高至1.5億港元，是集團創辦以來最大的一項投資，充份展示了集團對該業務的無比決心與信心。

Faced with the global economic downturn and sluggish exports, the Division has devoted its efforts to upgrade the quality of its products and services and managed to gain market share in the Pearl River Delta in our targeted industries such as toys, electronics, paper and woodcraft. During the past year, turnover reached HK\$308,880,000, representing an increase of 11% when compared with last year's figure of HK\$278,531,000, while profit from operations decreased by 5.7%, to HK\$33,817,000 when compared with last year's figure of HK\$35,864,000.

In recent years, some of our customers have started to establish new production bases in the Yangtse River Delta in order to further reduce costs and to exploit opportunities in Eastern China. We have been closely monitoring this trend, and corresponding measures have been undertaken to increase our sales of high molecular products in the Yangtse River Delta. Construction of the new plant in Huiyang has commenced last year and has been progressing according to plan. We expect that it will be completed on schedule towards the end of this year, and will come on-stream next year. As a result of capacity expansion and addition of automation facilities, the total investment in this new plant will be increased to HK\$150 million, making it the largest single investment in the Group's history. This substantial investment underlies the Group's commitment to and confidence in this business.



漆油 Paints

本公司期內的工業漆油和民用建築漆的銷售都取得令人滿意的增加，達452,142,000港元，較去年的351,439,000港元增加29%，經營溢利為29,279,000港元，較去年11,013,000港元增加166%。

市場需求不斷地激增的同時，吸引了更多的競爭對手加入，特別是一些國際知名的集團，已紛紛地在中國境內設立了生產基地，以期爭取更大的市場份額，本公司預期業界的汰弱留強的進程，勢將更快演進，規模和服務的競爭也必將成為市場淘汰戰的主流。本公司年前已重整完成的新管理架構，以及分據全國不同省份的七個生產基地所產生的協同效應，將可確保本公司的競爭優勢。

去年十月公司在上海購入現成廠房30萬平方呎，成立紫荊花制漆（上海）有限公司，現已正式投入使用，至此，本公司再無後顧之憂，在未來的五年，可全情投放在市務推廣和市場管理的工作。

The growth in both industrial and architectural paints during the past year has been gratifying. Total revenues reached HK\$452,142,000, representing a growth of 29% against last year's figure of HK\$351,439,000, while profit from operations grew by 166% from last year's level of HK\$11,013,000 to HK\$29,279,000.

The sustained growth in demand for paint products has attracted more competitors, including some internationally famous brands, to establish production bases in the Mainland with a view to increasing their market share. We expect that this development will accelerate the elimination of weaker players. As competition intensifies, we believe that economy of scale and quality of service will become increasingly important. With the completion of our management restructuring, we can now focus on coordinating our 7 production facilities in different provinces and turn it into a significant competitive advantage.

Last October, the Group acquired a new 300,000 sq. ft. production plant in Shanghai and established a Shanghai subsidiary. The plant is now on-stream. With this additional facility we should have sufficient production capacity for at least the next five years, and we can now turn our full attention to brand and marketing management in China.



單體溶劑 Raw Solvents

本公司的銷售在年度內續創新高，錄得412,179,000港元，較去年的306,972,000港元增長34%，經營溢利則更受惠於期內多月的供求失衡，售價堅俏，因而錄得高達40,414,000港元，較去年激增131%，本公司端視此為一個不大正常的經營狀況，本著因應市場的需求情況，擴大生產規模，爭取一定的規模效應的同時，不斷地優化生產設施，有效控制成本，才可立於不敗之地。去年本公司購入相連廠地，擴產至年產105,000噸的工程，已於本年三月完成，本公司預期，隨著國內多個競爭對手的擴產相繼完成，年內的競爭情況將甚為激烈，公司即將面對頗為嚴峻的考驗。

Turnover scaled new heights last year to HK\$412,179,000, 34% higher than the HK\$306,972,000 a year ago. Profit from operations has benefited from months of supply/demand imbalance, which led to sustained firm prices for prolonged periods. This resulted in profit from operations reaching HK\$40,414,000, representing a growth of 131%. We consider the operating environment for raw solvents during the past year to be an unusually favourable one. Besides expanding our production capacity to meet the market demands and improving our economy of scale, we have been endeavouring to upgrade our facilities and improve our cost control in order to further strengthen our competitive edge. Expansion works on the adjacent site acquired last year to expand capacity to 105,000 tons have been completed in March this year. At the same time, we expect that as our competitors' plans for expansion also come on-stream, competition will intensify. The Division therefore expects the year ahead will be extremely challenging.



潤滑油 Lubricants

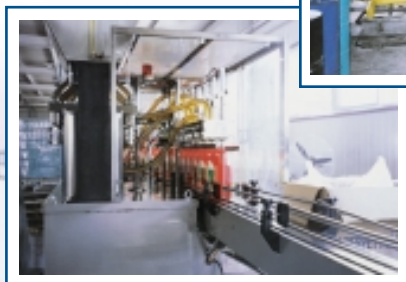
天津的廠房投入使用比原計劃推遲了近四個月，對全年的銷售帶來了一定的影響，但自此，它徹底地解決了公司在物流上的困擾，同時因應營運成本的降低，公司在銷售策略上可作出更彈性的調整，對公司業務的長遠發展影響深遠。

期內錄得的銷售額為118,624,000港元，較去年增長40%，經營溢利雖稍遜預期，但仍錄得3,133,000港元，比去年增長為386%，兩者均為該業務創辦8年以來的最高記錄，公司視此業績為一個非常重要的平台，在比較穩實的基礎上，再乘國內需求不斷增加的東風，續爭最佳的營運效益。

The delay of almost four months in the opening of the Tianjin plant has impacted on the results of the Division. However, with the completion of this project, the logistics difficulties faced by the Division have basically been solved. Moreover, the lowering of operating costs will enable the Division to be more competitive in its sales strategies, which will have a profound influence on the long term development of the lubricants business.

A turnover of HK\$118,624,000 was recorded in the past year, which represents a growth of 40% from a year ago. Although profit from operations is still below our expectations, it still reached HK\$3,133,000, which is an improvement of 386% from a year ago.

Both turnover and profits have set records since the start of the business 8 years ago. We consider this to be an important milestone, and will endeavour to build from this solid foundation to take advantage of continued rising demands in the Mainland to seek even better operating results.



油墨
Inks

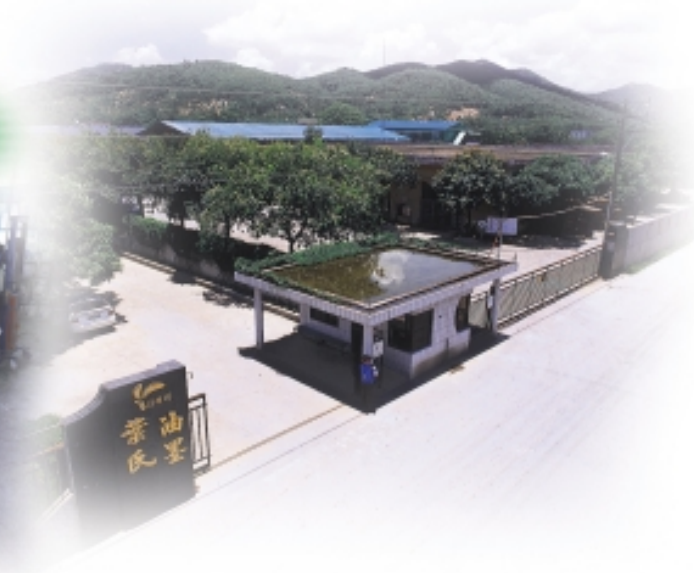


本年度，公司在業務拓展方面續取得令人滿意的進展，銷售額錄得148,988,000港元，較去年的100,660,000港元大幅增長48%，經營溢利則基於下列因素所影響：(一)尤其是在下半年，原料成本急升，難以向客戶全部轉嫁，邊際利潤受損；(二)上海新廠運作初期不暢順，因而僅錄得10,847,000港元，較去年下跌8.6%。

本公司投資三仟萬港元籌建的葉氏油墨（上海）有限公司的新廠，目前已投入正常服務，此實為公司最大的一個業務增長點，同時年內公司已實施一系列，包括重組產品架構、成本監控等措施，力求提昇公司的營運效益。

In the past year, we have made excellent progress in the expansion of the inks business, with turnover reaching HK\$148,988,000, showing a 48% increase from the HK\$100,660,000 of a year ago. Profit from operations, however, decreased by 8.6% to HK\$10,847,000, because of the following reasons: (1) Inability to fully pass on to customers the rapid increases in raw materials prices, especially in the second half of the year, causing a decline in margins; (2) Teething problems during the start-up phase of the new plant in Shanghai.

Phase one of the HK\$30 million new plant in Shanghai is now operating normally. This new plant will enable us to more fully exploit the business opportunities in the Yangtse River Delta, making it the largest growth area for the inks business. At the same time, we have implemented a series of initiatives, including restructuring the product portfolio of the Division, and more vigorous cost control measures in order to improve the Division's operating efficiency.





流動資金及財務資源

LIQUIDITY AND FINANCIAL RESOURCES

16 集團持續執行審慎財務管理策略。由於營業額上升導致營運資金需求增加及年內購回公司股份，淨現金及銀行結餘因而下降。集團於二零零三年三月三十一日之淨現金及銀行結餘為**34,344,000**港元（二零零二年三月三十一日：**85,173,000**港元）。於二零零三年三月三十一日，共有**14**間在香港及國內之銀行，向集團提供合共**461,044,000**港元之短期銀行融資額度，其中**63%**以港元定值，而餘額則以人民幣定值。於二零零三年三月三十一日集團之短期銀行貸款共有**90,706,000**港元（二零零二年三月三十一日：**36,984,000**港元），此等貸款須於一年內償還或可按銀行要求即期償還，並按浮動利率計算利息。連同已開出之信用狀及其他已動用之銀行額度，已動用之銀行融資額度總額為**270,068,000**港元。本年度結算日後，集團從一間在香港營運之銀行獲取合共**150,000,000**港元之中期銀行貸款，為集團在國內的新廠房投資及營運提供所需的資金。此貸款其中一半為**3**年、分**12**季清還之貸款，餘額為**2**年可循環使用之貸款。集團可動用之銀行融資額度連同日後之營運現金收入，將提供充裕的資金予集團應付目前營運，以及於可見將來業務進一步發展所需的資金。

The Group continued to implement prudent financial management strategy. Increase in working capital requirement as a result of growth in turnover and repurchase of shares during the year caused a decrease in net cash and bank balances. The Group has net cash and bank balances of HK\$34,344,000 as at 31st March, 2003 (31st March, 2002: HK\$85,173,000). As at 31st March, 2003, a total of 14 banks in Hong Kong and PRC granted short term banking facilities totaling HK\$461,044,000 to the Group, 63% of these facilities were denominated in Hong Kong Dollars and the rest in Renminbi. Short term loans outstanding as at 31st March, 2003 was HK\$90,706,000 (31st March, 2002: HK\$ 36,984,000). These loans are repayable within one year or on demand and carry interests at floating rates. Together with letters of credit issued and other banking facilities utilized, such banking facilities were drawn to the extent of HK\$270,068,000 as at 31st March, 2003. Subsequent to the year end, the Group arranged a medium term loan of HK\$150,000,000 with a bank in Hong Kong to fund its investment in new plants and operations in the PRC. Half of this loan is a 3 years term loan repayable by 12 quarterly installments and the remaining balance is a 2 years revolving loan. The Group's available banking facilities and its future cash flow from operations will provide sufficient funds to the Group to meet its present operation requirements and for the further development of its business in the foreseeable future.



審核委員會

AUDIT COMMITTEE

審核委員會由兩位獨立非執行董事組成，主席為黃廣志先生，由於楊民儉先生在二零零二年九月一日被委任為執行董事，因而需要辭去審核委員之職務，其空缺由唐匯棟先生即時補上。審核委員會審閱了在審核工作範圍內之問題，如財務報告和內部監控，目的是為了保障本公司各股東之權益。年內審核委員會共舉行兩次會議，分別為呈上董事局通過前預覽集團之全年及中期業績報告會議。

The Audit Committee consists of two independent non-executive directors with Mr. Wong Kong Chi acting as the chairman. Mr. Young Man Kim, Robert resigned as a member of the Committee on 1st September, 2002 upon his appointment as an executive director and his vacancy was immediately filled by Mr. Tong Wui Tung, Ronald. The Audit Committee reviews matters within the preview of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders. Members of the Committee have met twice during the year for the review of the Group's final results and interim results before they were tabled for the Board's approval.



僱員

EMPLOYEES

於二零零三年三月三十一日，本集團之僱員人數合共為2,765人，其中香港之僱員人數為143人，而中國其他省份之僱員人數則為2,622人。僱員之酬金包括薪酬、花紅、以及購股權，集團並不時作出檢討及最少每年檢討一次。本集團擁有全職僱員負責提供內部培訓，同時亦實行外間培訓及教育資助計劃，以鼓勵員工提昇自己。

As at 31st March, 2003, there was a total of 2,765 employees, of which 143 were based in Hong Kong, 2,622 were based in other provinces in the PRC. Remuneration packages of employees include salary, bonus as well as share options which are reviewed from time to time and at least annually. There are full time staff responsible for providing internal training together with an external training and educational subsidy scheme to encourage employees to upgrade themselves.



新執董委任

APPOINTMENT OF NEW EXECUTIVE DIRECTOR

楊民儉先生於去年九月一日獲委任為集團的執行董事，楊先生為一資深之行政人員，獲委任前曾在一國際性之石油化工公司歷任要職多年。集團企盼借助楊先生豐富和老練的業界經驗和國際閱歷，從而提昇集團之管理水平以及業務拓展。

Mr. Young Man Kim, Robert was appointed an Executive Director for the Group on 1st September last year. Mr. Young is an experienced executive, with many years of experience in an international oil and chemical company. The Group hopes that Mr. Young will bring his wealth of experience and his international perspective to the Group and help upgrade the Group's management and assist in its business development.



展望

PROSPECTS

隨著美伊戰事的結束，國際油價回落至較合理的水平，可望逐步有利地舒緩集團的成本壓力。另外一場起源於本年年初，肆虐全球的非典型肺炎，目前的疫情雖然已受到控制，但其對中國和香港的經濟所造成的損害相信是巨大和希望是短暫的，期內多月，許多商貿活動中斷，部份訂單流失，內部需求萎縮，集團的業務前景勢將面對嚴峻的考驗，但集團相信隨著疫情的過去，社會的秩序和各種商貿活動很快會恢復正常，中國扮演「世界工廠」的角色不會改變，中國的經濟發展持續保持強勁的發展勢頭不會改變，必將不斷地為集團各大核心業務帶來更多的發展機遇。預期在本年度內，集團各核心業務的擴大生產規模與優化硬件等工程將全部完成，可望進一步提昇集團的競爭能力和滿足未來發展所需，另一方面集團在銳意拓展業務的同時，並極為重視加強成本控制和強化經營管理，確保在業界的競爭優勢。過去的一年是集團發展路上的一個重要平台，在此平台上，管理層與全體員工將繼續勤勉敬業，勇於開拓，不斷地為股東們謀取更佳的回報。

最後，謹代表董事會對全體員工的卓越表現和股東們的大力支持致予萬分感謝！

承董事會命
葉志成
主席

香港，二零零三年六月二十五日

With the ending of the war in Iraq, oil prices have returned to more reasonable levels, which will hopefully relieve the pressures on cost of supplies on the Group. On the other hand, although the SARS epidemic is gradually under control, its impact on the economy of China and Hong Kong is likely to be significant, albeit hopefully only short-term. For quite a few months, many business activities had been curtailed or even stopped. Orders were lost and internal demand diminished, all posing severe challenges on the prospects of the Group. However, we believe that which this epidemic is over, social order and business activities will resume, and China's role as the 'world's factory' will continue, as will China's vibrant economic growth, and China will continue to provide many business development opportunities for the Group's core businesses. We anticipate that in the coming financial year, the Group's core businesses will largely complete their expansion and upgrading plans, and the Group will further improve its competitiveness and will have sufficient capacity to meet its requirements for many years ahead. At the same time, whilst focusing on expanding our business, we will also emphasize on strengthening our cost control and operation management in order to ensure our competitive advantage. We see the past year as an important platform for the Group's development. Building on this platform, Management and the entire body of employees will continue to do our best to break new grounds and to seek even better returns for shareholders.

On behalf of the Board, I would like to extend my sincere gratitude to our staff for their outstanding performance and the shareholders for their continued support.

By Order of the Board
Ip Chi Shing, Tony
Chairman

Hong Kong, 25th June, 2003