

業務回顧

Business Review

業務回顧

本人欣然向集團全體股東們呈報本年度的業務概況，集團的營業額錄得有史以來的最高，達1,798,614,000港元，比較去年的1,422,756,000港元，大幅增長26%。純利則錄得96,161,000港元，比較去年的103,217,000港元，則下調7%，但經扣除去年出售一項住宅物業產生特殊利潤8,772,000港元後，本年度的純利則較去年實質輕微增長2%。同理本年度的每股盈利為20.7港仙，較去年的19.3港仙增長7%。董事會建議派發期末股息每股6.0港仙，連同已派發的中期息4.0港仙，全年合共派發股息每股10.0港仙，較去年的9.0港仙增長11%。

本年度的首季，集團各大核心業務在不同的程度上都受到「非典型肺炎」的拖累，但尚幸其影響是短暫和輕微的。疫情過後，業務得以迅速恢復。隨後，集團之整體業務則受惠於中國經濟持續強勁增長，集團之綜合競爭能力不斷提升，尤其在生產成本、經營費用的控制和爭取最大的規模效應方面，繼續取得成效，集團的整體營業額能夠大幅錄得增長，佐證集團業務拓展策略是成功和令人鼓舞的。

惜本年度的純利未能與營業額增長同步，是去年最大的瑕疵。其最根本的原因是世界各地，特別是中國大陸對各種化工原料的需求急劇增加，在過去的一年多內，原材料的升價不斷，部份還出現斷貨的現象，各同業多採取觀望態度，形成市場的競爭特別激烈，影響集團的整體毛利率較去年下調6個百分點。本人預期此情況在今年的上半年仍會持續，危中有機，正好是企業整體競爭能力最大考驗和體現。集團有信心與能力，在爭取更佳的股東資金回報與更大的市場份額方面，最終取得平衡。

BUSINESS REVIEW

It gives me great pleasure to report to our shareholders our business performance for the financial year ended on 31st March, 2004. Turnover increased by 26% to a record level of HK\$1,798,614,000. Profit attributable to shareholders was HK\$96,161,000, representing a slight decrease of 7%. However, after discounting a special one-off profit from the sale of a residential property in Hong Kong in the last financial year, the adjusted profit attributed to shareholders actually showed a small increase of 2%, and earnings per share increased by 7% to HK20.7 cents. The Board proposes a final dividend of HK6.0 cents per share, which, together with the interim dividend of HK4.0 cents per share already paid, resulted in a total of dividend for the year of HK10.0 cents per share, representing an increase of 11% over last year's HK9.0 cents per share.

In the first quarter of this financial year, all the core businesses of the Group were affected by SARS to varying degrees. Fortunately, the effect of SARS turned out to be rather short term and, overall speaking, relatively modest. After the passage of SARS, the business experienced a rapid recovery. During the latter part of the financial year, the Group's business benefited from the sustained growth of the Chinese economy coupled with improvements in Group's overall competitiveness, especially in the areas of production and operation costs control as well as maximization on the benefits of economy of scale. Accordingly, the significant increases in the Group's turnover provide encouraging evidence to the success of the Group's development strategy.

Regrettably, profit attributable to shareholders did not keep pace with the growth in turnover. The fundamental reason for the sustained high raw material prices was the dramatic increase in global demand for many different kinds of chemicals raw materials, especially in China. During the past year, raw materials prices had continued to climb, and in some products, even shortages had occurred. Despite this situation, most of our competitors had taken a wait-and-see attitude, resulting in extremely keen competition and causing our unit margins to decline by 6%. We expect that this situation of tightness in supply will continue at least through the first half of next financial year, but we see this as both a challenge and an opportunity to test the overall competitiveness of the Group. We remain confident in our ability to achieve the optimal balance between attaining the best possible return to shareholders' funds and capturing an even larger market share.



高分子化工產品與混合溶劑

High Molecular Chemical Products and Mixed Solvents

高分子化工產品與混合溶劑

該公司的業務去年增長比較平穩，無論是營業額和經營溢利都達到了預期的目標。首季度受到「非典型肺炎」的困擾，生意額下挫近兩成，尚幸期間累積的市場需求，在第三季度再度釋放。全年錄得的營業額是359,269,000港元，較去年增長16%，經營溢利則達40,050,000港元，較去年上升18%，經營溢利的增長能與營業額上升同步，主要原因是不斷優化產品組合，陸續取得成果，在很大的程度上，抵銷了部份原材料價格不斷上漲的壓力。

集團投資近兩億港元的惠陽新廠，目前已進入內部裝修和機器安裝階段，搬廠工作預期在本年度十月開始。其新增的搬遷和折舊費用，將在未來下半年反映，對該公司本年度的業績表現只構成輕微壓力。長遠而言，「惠陽新廠」的整體硬件設施，在業界中更處領先位置，在同業競爭日益激烈的環境下，可以脫穎而出。

HIGH MOLECULAR CHEMICAL PRODUCTS AND MIXED SOLVENTS

The Division experienced a rather stable growth last year, with both turnover and profits reaching targets. In the first quarter, the business was affected by the SARS outbreak, with turnover declining by 20%. However, the pent-up demand re-emerged in the third quarter, thus registering a turnover of HK\$359,269,000, representing a growth of 16%. Profit from operations reached HK\$40,050,000, increasing by 18% over last year. The main reason that operating profits had been able to keep pace with turnover was the result of the division's continued efforts to upgrade its product range, which in a large measure compensated for the pressure from incessant increases in raw materials prices.

The new plant in Huiyang, built at a cost of nearly HK\$200 million, has progressed to the stage of fitting out and equipment installation. We expect that the plant will come on stream in October, hence the costs associated with removal and the increased depreciation will start to be incurred in the second half of next financial year. We anticipate that this will only have a minor impact on next year's financial results, but in the long term, the overall hardware of this new facility will put us in a leadership position among competitors, and will be a competitive edge for the Group's high molecular chemical products business.



漆油

Paints

漆油

承接去年順利完成管理架構重整所開創的良好發展勢頭，該業務本年度內續有不俗的表現，其營業額錄得538,607,000港元，較去年增長19%，經營溢利方面，由於在下半年進行產品線重整，結束一條暫未成熟的納米塗料生產線，產生了近500萬港元的特殊撥備後，仍錄得33,383,000港元，比較去年增長14%。

該業務將更專注在民用建築漆和工業漆並行發展，市場的需求急劇增加中，跨國性的同業先進又紛紛加入競爭，加上國家有關方面對該行業的要求和規範愈來愈多，同時原材料的價位持續高企，成本上升難以全部向客戶轉嫁等因素影響，必然導致更多的中小型企業淡出市場。因此，如何盡快地增加規模效應和市場份額，顯得更為迫切，實是一場與時間賽跑的考驗。預期該項業務，將在競爭的洗禮中，憑藉實力和獨有的物流配套，爭取到更佳的業務表現。

PAINTS

The Paints Division had a promising start following its successful management restructuring last year. The performance of the Division in the year under review continued to be gratifying. Turnover reached HK\$538,607,000, registering a growth of 19%. Even after a special provision of HK\$5 million (arising from the termination of a nano-coatings production line because the technology had not yet reached the stage where it could support commercialization), profit from operations still grew by 14% to HK\$33,383,000.

This Division will concentrate more of its efforts in the dual areas of domestic architectural paints and industrial paints. In view of the rapid increase in demand, coupled with increasing competition from multinational paint companies, together with the more stringent regulatory requirements from the authorities and the rising cost of raw materials, it is inevitable that the weaker players will face elimination in the market place. Accordingly, it had become even more important to adopt a high growth strategy to increase market share and to improve economy of scale. In some respects, this situation is almost like a race against time. We believe that, under this competitive environment, our underlying strength and our unique logistics advantage will ultimately provide us with the competitive edge to generate even better results in the paints business.



單體溶劑

Raw Solvents

單體溶劑

近年來，國內社會各界的環保意識日益重視，為該公司生產的三類環保型單體溶劑的業務拓展，創造了非常有利的條件，市場的需求量每年均在大幅增加中。該公司連年擴產，至目前的產能已達13萬噸，也只是產銷平衡。因此本年度的營業額再創新高，達609,366,000港元，增長48%，經營溢利則錄得39,453,000港元，較去年輕微下調2%。一如本人在中期報告所述，去年的經營環境是罕有的優越，難與今年比較，該公司在激烈的競爭環境下，積極地透過規模效應和工藝流程的改良，大大節省成本，且獲取了在正常情況下才有的理想回報，是難能可貴和令人欣慰的。

公司計劃在未來上半年內將部份舊裝置再次改良，將產能增至15萬噸，至此原廠區的產能已達飽和，公司正積極研究進一步加大市場份額的各種可行方案。

RAW SOLVENTS

China's increasing environmental awareness in recent years has created extremely favourable conditions for our more environmentally benign ester-type solvents, with demand continuing to grow significantly year on year. The Division had been increasing its capacity continuously in the past years, reaching 130,000 tonnes last year, and sales had been able to keep pace with capacity growth. Accordingly, turnover continued to reach new heights to HK\$609,366,000, representing a growth of 48%. However, profit from operations, at HK\$39,453,000, showed a slight decline of 2%. This decline, however, is in line with my forecast in our interim report, stating that the operating environment for raw solvents during 2002-2003 was unusually favourable and the business results should therefore not be used as a benchmark for future years. Under a highly competitive environment, the Division had actively pursued a course of structural cost reduction through improvements in manufacturing processes as well as increasing its economy of scale. Consequently, we regard that the results of the Raw Solvents Division in the past year, which had only been achievable under a normal operating environment, have been gratifying indeed.

The Division plans to further debottleneck and upgrade its older facilities during the first half of next year, and to further increase its annual capacity to 150,000 tonnes. After this expansion, the scope for subsequent capacity enhancements in the present location will be rather limited, and the Division is actively investigating other possible ways and means to further increase its business and market share.



潤滑油

Lubricants

潤滑油

本年度的業績表現是令人失望的一年，期內的營業額錄得104,537,000港元，較去年下調12%，經營溢利則錄得4,110,000港元的虧損，而去年則有盈利3,133,000港元。

該業務全屬內銷性質，期內首季度在國內蔓延之非典型肺炎，對其所造成的負面影響至為巨大，銷售額嚴重損失，難在餘下的三個季度追回。更為困難者，因原材料漲價，影響毛利率下挫近百分之二，全部未能向消費者轉嫁，預期下年度的經營環境，依然不容樂觀。目前公司正對該業務包括產品架構定位、營銷策略、物流等作出全面檢討，冀望本年度有顯著的改善。

LUBRICANTS

This had been a disappointing year for the Lubricants Division. At HK\$104,537,000, turnover declined by 12% from the previous year, and the Division also reported a loss of HK\$4,110,000 from operations in contrast to a profit of HK\$3,133,000 last year.

The lubricants business was entirely targeted at the domestic market in Mainland China. During the first quarter of last year, the loss of business volume arising from measures taken to control the spread of SARS in China was so severe that it proved impossible for the business to recover lost ground during the rest of the year. To compound the damage, supply shortages of raw materials caused prices to increase sharply, and it was not possible to pass on the cost increases completely to customers, resulting in a reduction of nearly 2 percent in gross profit ratio. Looking forward, we expect that the business environment will continue to be extremely challenging. The Division is currently conducting a comprehensive review of its product, sales and logistics strategies, with a view to laying a solid foundation for the long term development of the business under the prevailing difficult business environment.



油墨

Inks

油墨

年度內上海新廠房的全面投產，一方面對拓展華東地區的業務產生重大幫助的同時，也及時地舒緩了廣東、中山廠的生產壓力。全年的業務增長繼續令人鼓舞，本年度錄得的營業額和經營溢利分別是216,334,000港元和16,558,000港元，均較去年大幅增長45%和53%，經營溢利在下半年有較大的改善，主要是受惠於該公司推出更受市場歡迎之環保型印刷油墨之故。

經過連續三年的整固和增長，進一步加強了集團對拓展該業務的信心，經去年底作出綜合評估後，集團決定斥資5,000萬港元在中山另建更專業的新廠，產能將是舊廠的三倍，新廠預期在今年7月動工，首期工程將在05年底完成。

INKS

The coming on stream of production plant in Shanghai had greatly enhanced our efforts to develop our inks business in the Yangtse Delta region while relieving part of the demands on the Zhongshan plant. In the past year, the sustained growth for the Inks business had continued to be gratifying, with turnover and profit from operations at HK\$216,334,000 and HK\$16,558,000 respectively, representing significant increases of 45% and 53% respectively. Profits in the second half of last year increased significantly, partly as a result of launching new environmentally friendly ink, which had been well received by the market.

The past three years of consolidation and sustained growth had given cause for the Group's confidence in further developing the inks business. After a thorough business evaluation and review at the end of last year, the Group had decided to invest HK\$50 million to build a new production plant for inks in Zhongshan, with a 200% increase in capacity to the new plant. We plan to start works on the new plant in July, and the first phase of the plant is expected to come on stream by the end of 2005.

樹脂

是生產漆油和油墨的主要原料之一，集團內早有樹脂廠之設，過去基本上是作內部供應，只有少量對外銷售。今年初經過評估，確認該產品的市場空間和競爭能力後，集團決心用兩年的時間將目前的年產能6,000噸增至15,000噸，致力栽培該業務持續發展成為集團內的第六核心業務。

流動資金及財政資源

集團持續奉行審慎財務管理策略。本年營業額較去年為高及集團繼續在國內投資興建新廠房令資金需求增加，淨銀行貸款亦因而上升。於二零零四年三月三十一日集團的資本負債比率為13%，此比率以淨銀行負債佔股東權益為計算基準（於二零零三年三月三十一日集團之淨現金及銀行結餘為34,344,000港元，此比率為零）。於二零零四年三月三十一日，共有12間在香港及國內之銀行，向集團提供合共598,178,000港元之短期銀行融資額度，其中71%以港元定值，而餘額則以人民幣定值。於二零零四年三月三十一日集團之短期銀行貸款共有145,498,000港元（二零零三年三月三十一日：90,706,000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。年內集團從一間香港銀行獲取合共150,000,000港元之中期銀行貸款，其中一半為三年半、分12季清還之貸款，餘額為2年可循環使用之貸款。於二零零四年三月三十一日此貸款之中期部份欠款為43,750,000港元。於二零零四年三月三十一日，已開出之信用狀及其他已動用之短期銀行額度，共計348,869,000港元。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。為充分利用香港之低息環境，集團將繼續以港元定值之銀行貸款作為各項投資之融資手段。

RESINS

Resins are key ingredients for paints and inks production. The Group has long been producing resins, mainly for internal use. Following a business reassessment earlier this year, it was concluded that both the market environment and our competitiveness in this business were favourable, therefore the Group had set a target of increasing its production capacity from 6,000 tonnes per year to 15,000 tonnes, with a view to building the resins business into the Group's sixth core business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to implement prudent financial management strategy. The boost in turnover and continuing investments in new plants in the PRC gave rise to the increase in funding needs and hence the net bank borrowings. Gearing ratio of the Group, calculated on the basis of net debt over shareholders' funds, was 13% as at 31st March, 2004 (*the Group had no gearing at 31st March, 2003 since it had net cash and bank balances of HK\$34,344,000*). As at 31st March, 2004, a total of 12 banks in Hong Kong and PRC granted short term banking facilities totalling HK\$598,178,000 to the Group, 71% of these facilities were denominated in Hong Kong Dollars and the rest in Renminbi. Such banking facilities were drawn to the extent of HK\$145,498,000 as at 31st March, 2004 (*31st March, 2003: HK\$90,706,000*). These loans are repayable within one year or on demand and carry interest at floating rates. During the current year, the Group arranged a medium term loan of HK\$150,000,000 with a bank in Hong Kong. Half of this loan was a 3.5 years term loan repayable by 12 quarterly installments and the remaining portion a 2 years revolving loan. As at 31st March, 2004, the non-current portion of the term loan was HK\$43,750,000. Letters of credit issued and other short term banking facilities utilized amounted to HK\$348,869,000. 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. To take advantage of the current low interest level in Hong Kong, the Group will continue to fund its investments by Hong Kong dollar bank loans.

集團之收入主要來自國內並以人民幣交收結算，同樣集團之資產亦主要集中於國內。由於過往幾年間人民幣之匯率相對穩定，此情況相信會維持一段時間，管理層因此認為在現階段無需採取對沖措施。

審核委員會

審核委員會於1998年成立，由獨立非執行董事唐匯棟先生及黃廣志先生組成，主席黃廣志先生財務經驗豐富且具備專業資格。年內審核委員會共舉行兩次會議，分別為全年及中期之業績報告在呈上董事會通過前審議其完整性、準確性及公正程度。

僱員

於二零零四年三月三十一日，本集團之僱員人數合共為2,955人，其中香港之僱員人數為145人，而中國其他省份之僱員人數則為2,810人。集團提供具競爭力的酬金包括薪酬、以集團業績及員工表現為導向的花紅、以及購股權，集團並不時作出檢討及最少每年檢討一次。員工自強不息優質化是集團的核心信守之一，透過全職僱員負責的內部培訓及外界提供的訓練課程，員工不斷增強工作技能，集團推行的教育資助政策，亦鼓勵員工提昇自己。集團推展的行政見習生計劃，有助高質素行政人員的培育。

The Group generates the majority of its income in RMB and the majority of its assets are located in the PRC. The Group uses its RMB bank borrowing as a hedge towards its RMB exposure. As the rate between RMB and HKD has remained stable in the past few years and it is generally expected that it will remain so in the short term future, the management considers that no further hedging measures are necessary at this stage.

AUDIT COMMITTEE

The Audit Committee was formed in 1998. The members are all Independent Non-executive Directors, Mr. Ronald Tong and Mr. K C Wong, the Chairman, having extensive experience in financial matters and professional qualifications. The Audit Committee meets twice each year, reviewing the completeness, accuracy and fairness of the interim and annual financial results before they were tabled to the Board for approval.

EMPLOYEES

As at 31st March, 2004, there were a total of 2,955 employees of which 145 were based in Hong Kong and 2,810 were based in other provinces in the PRC. Employees receive competitive remuneration packages including salary, variable bonus linked to attainment of the Group and individual performance as well as share options which are reviewed from time to time and at least annually. The Group pledges to enable our employees to achieve continuous self-improvement as a core mission. Employees are continuously trained to enrich their job skills through internal training conducted by full time training staff and external training courses, with an educational subsidy scheme to encourage employees to upgrade themselves. The Group also has an Executive Management Trainee Programme that assures a consistent flow of high quality executive employees.

展望

除本年初中國政府針對國內經濟過熱的情況作出一些調控措施外，隨著利息即將向上調整及各種原材料價位持續高企等因素，預期將會構成今年的不明朗的負面影響。但集團的整體業務經歷連續兩年的大幅增長後，足以顯示市場空間仍然偌大和更加突顯集團的競爭優勢，集團預期珠江三角洲與長江三角洲繼續扮演世界工廠的角色不變，其加工、製造出口業務持續暢旺，中國內地的經濟持續增長，必然會為集團帶來商機無限，集團將透過核心業務每年的穩定增長，以及合適的併購行動，加速達致集團壯大和為股東增值的目標。本人謹代表集團答謝銀行界、投資界和股東們的支持，特別對全體員工辛勞和貢獻致以最深切的感謝。

葉志成

主席

香港，二零零四年六月二十九日

PROSPECTS

Measures taken by the Chinese Government at the beginning of this year to prevent the economy from overheating, together with the anticipated rises in interest rates and the incessant increases in raw materials prices all present challenges in a difficult operating environment. However, the significant growth that the Group's overall businesses have enjoyed for the past two successive years should serve to demonstrate that there is still ample room for further growth in the Group's businesses, as well as our overall competitiveness. We anticipate that the Pearl River Delta and the Yangtze Delta will continue to play the role of the World's factory, and their manufacturing and exporting business will continue to be very strong. At the same time, we expect that growth in China's domestic market will remain strong. These factors will continue to provide ample opportunities for the Group's businesses. Looking ahead, we will continue to pursue sustained growth through our core businesses, as well as seeking suitable acquisition opportunities to enhance growth and to add value to shareholders. On behalf of the Board, I would like to extend my sincere gratitude to the banking and financial sector, to all the shareholders for your continued support, and in particular, to our staff for their continued diligence and for their contribution to the success of the Group.

Ip Chi Shing, Tony

Chairman

Hong Kong, 29th June, 2004