

## MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

### RESULTS OF OPERATION

Turnover and net profit attributable to shareholders for the year ended 31 March 2005 was HK\$2,771 million and HK\$418 million, representing an increase of 63% and 47%, as compared to HK\$1,701 million and HK\$285 million, respectively, for last year. The earnings per share for the year was HK43.54 cents when compared with HK40.71 cents for last year.

The increase in turnover and net profit were mainly attributable to the significant increase in the Group's sales of containerboard mainly due to the result of the full year commercial operation of the paper machine V which started in January 2004 and the commenced commercial operation of the paper machine VI in September 2004.

### DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

The Group's distribution costs and administrative expenses increased by approximately 130% and 72% from HK\$23.7 million and HK\$64.7 million for the year ended 31 March 2004 to HK\$54.5 million and HK\$111.2 million for the year ended 31 March 2005 respectively as a result of the expansion in the operation of the Group and the increase in the Group's turnover during the year.

### INTEREST EXPENSES

The Group's interest expenses was HK\$11.4 million for the year ended 31 March 2005 as compared to HK\$15.0 million for the year ended 31 March 2004. The decrease was mainly due to the decrease in average amount of outstanding bank loans during the year.

### INVENTORIES, DEBTORS' AND CREDITORS' TURNOVER

The inventory turnover of the Group's raw materials and finished products were 113 days and 7 days, respectively, for the year ended 31 March 2004 as compared to 85 days and 12 days, respectively, for the year ended 31 March 2005. This exhibits continued strong demand from our customers.

### 經營業績

截至二零零五年三月三十一日止年度的營業額及股東應佔純利分別為27.7億港元及4.18億港元，較去年的17.0億港元及2.85億港元，分別增加63%及47%。本年度的每股盈利為43.54港仙，去年則為40.71港仙。

營業額及純利同告上升，主要歸因於本集團自二零零四年一月開始投產的第五號造紙機於本年度全年投產，加上第六號造紙機亦自二零零四年九月開始投產，帶動本集團箱板原紙銷量激增所致。

### 分銷成本及行政費用

本集團的分銷成本及行政費用分別由截至二零零四年三月三十一日止年度的23.7百萬港元及64.7百萬港元，上升至截至二零零五年三月三十一日止年度的54.5百萬港元及1.11億港元，增加約130%及72%。分銷成本及行政費用有所增加，原因是本集團於年內擴充業務，以及本集團的營業額增加所致。

### 利息開支

截至二零零五年三月三十一日止年度，本集團的利息開支為11.4百萬港元，而於截至二零零四年三月三十一日止年度則為15.0百萬港元。利息開支下跌主要由於年內未償還平均銀行貸款減少所致。

### 存貨、應收賬款及應付賬款周轉期

本集團於截至二零零四年三月三十一日止年度的原料及製成品存貨周轉期分別為113日及7日，而於截至二零零五年三月三十一日止年度則分別為85日及12日。由此可見，本集團客戶需求的增長勢頭依然強勁。

The Group's debtors' turnover days were 66 days for the year ended 31 March 2005 as compared to 62 days for the year ended 31 March 2004. This is in line with the credit terms of around 45 days to 60 days granted by the Group to its customers.

The Group's creditors' turnover days were 34 days for the year ended 31 March 2004 as compared to 16 days for the year ended 31 March 2005 as the Group settle much of its creditor balances with surplus cash.

#### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' fund of the Group as at 31 March 2005 was HK\$3,041 million (31 March 2004: HK\$1,903 million). As at 31 March 2005, the Group had current assets of HK\$1,372 million (31 March 2004: HK\$1,270 million) and current liabilities of HK\$921 million (31 March 2004: HK\$838 million). The current ratio was 1.49 as at 31 March 2005 as compared to 1.51 at 31 March 2004.

The Group generally finances its operations with internally generated cashflow and credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2005, the Group had outstanding bank borrowings of HK\$769 million (31 March 2004: HK\$888 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.47 as at 31 March 2004 to 0.23 as at 31 March 2005 as enhanced after the completion of the Placement and Subscription in April 2004.

本集團於截至二零零五年三月三十一日止年度的應收賬款周轉期為66日，而於截至二零零四年三月三十一日止年度則為62日。上述應收賬款周轉期與本集團給予客戶介乎45日至60日的信貸期相符。

本集團於截至二零零四年三月三十一日止年度的應付賬款周轉期為34日，而於截至二零零五年三月三十一日止年度則為16日。本集團以盈餘的現金支付大部分的應付賬款。

#### 流動資金、財務資源及資本結構

於二零零五年三月三十一日，本集團的股東資金總額為30.41億港元（二零零四年三月三十一日：19.03億港元）。於二零零五年三月三十一日，本集團的流動資產達13.72億港元（二零零四年三月三十一日：12.70億港元），而流動負債則為9.21億港元（二零零四年三月三十一日：8.38億港元）。二零零五年三月三十一日的流動比率為1.49，二零零四年三月三十一日則為1.51。

本集團一般以內部產生的現金流量，以及中港兩地主要往來銀行提供的信貸備用額作為業務的營運資金。於二零零五年三月三十一日，本集團的未償還銀行貸款為7.69億港元（二零零四年三月三十一日：8.88億港元）。該筆銀行借貸由本公司若干附屬公司提供的公司擔保作為抵押。配售及認購於二零零四年四月完成後，本集團的淨資本負債比率（借貸總額減現金及現金等價物除以股東權益）由二零零四年三月三十一日的0.47下降至二零零五年三月三十一日的0.23，財務狀況進一步加強。

## Management Discussion and Analysis

## 管理層討論及分析

The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments for expansion.

The Group's transactions and the monetary assets are principally denominated in Renminbi, Hong Kong dollars or United States dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 March 2005. During the year ended 31 March 2005, the Group did not employ any financial instrument for hedging purposes.

### USE OF PROCEEDS FROM THE PLACEMENT AND SUBSCRIPTION

The net proceeds from the Placement and Subscription which was completed in April 2004, of approximately HK\$804 million, was earmarked as to approximately HK\$500 million for the acquisition cost of the main unit paper machine VII and costs of ancillary and support equipment such as preparation unit, pumps and cranes which are expected to be incurred over the next one year. The proceeds from the Subscription not immediately applied towards the purchase of paper machine VII have been employed as general working capital.

### EMPLOYEES

As at 31 March 2005, the Group had a workforce of more than 2,400 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Company.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

The Group has a Pre-IPO Share Option Scheme whereby employees of the Group are granted options to acquire shares in the Company.

本集團的流動資金狀況保持穩健，且具備充裕的現金及可供動用的銀行備用額以應付集團的承擔、營運資金需要，並作為日後投資以擴充業務所需。

本集團的交易及貨幣資產主要以人民幣、港元或美元計值。截至二零零五年三月三十一日止年度，本集團的營運或流動資金未曾因滙率波動而面臨任何重大困難或影響。截至二零零五年三月三十一日止年度，本集團概無採用任何金融工具以作對沖用途。

### 配售及認購所得款項用途

於二零零四年四月完成配售及認購所得款項淨額約為8.04億港元，其中約5億港元已指定用作購買第七號造紙機主機及配套設備（如製漿系統、泵和吊機）的成本。這些成本預計將於未來一年產生。未用於購買第七號造紙機的認購所得款項淨額，則已撥作一般營運資金。

### 僱員

於二零零五年三月三十一日，本集團擁有逾2,400名員工。僱員薪酬維持於具競爭力水平，並會每年審閱，且密切留意有關勞工市場及經濟市況趨勢。本集團亦為僱員提供內部培訓，並按員工表現及本公司盈利發放花紅。

本集團並無出現任何重大僱員問題，亦未曾因勞資糾紛令營運中斷，在招聘及挽留經驗豐富的員工時亦不曾出現困難。本集團與僱員的關係良好。

本集團設有首次公開售股前的購股權計劃，本集團僱員可據此授購股權，以認購本公司股份。