

主席報告

CHAIRMAN'S STATEMENT

“憑藉於業內之領導地位及於中國市場之累積經驗，本集團榮獲福布斯亞洲評選為二百間年度收入在10億美元內及五年資金回報最少達5%之亞洲最佳上市企業之一。

Leveraging on the leading position in the industry and experiences accumulated in the PRC, the Group was honoured to be recognised by Forbes Asia featuring one of the 200 Asia's best listed enterprises with revenue under US\$1 billion a year and five-year returns on capital of at least 5%.”



主席報告 Chairman's Statement

本人謹代表僑威集團有限公司連同其附屬公司(「本集團」)之董事會(「董事會」)欣然公佈本集團截至二零零五年十二月三十一日止年度之經營業績及呈上有關年度之年報。

理想之經營業績

本集團繼二零零四年後，於二零零五年繼續取得理想業績，截至二零零五年十二月三十一日止年度之營業額及股權持有人應佔溢利均成功達到雙位數字之增長。總營業額達1,381,172,000港元，較二零零四年之營業額1,188,531,000港元增加16.2%。總營業額中約25.4%來自包裝印刷業務。

股權持有人應佔溢利由二零零四年之40,644,000港元上升17.7%至二零零五年之47,838,000港元。憑藉其豐富專業經驗及與客戶和供應商建立之良好關係，本集團於過去數年均保持其領導地位，並取得持續增長，而本集團管理層對未來數年之前景亦感到樂觀。

On behalf of the Board of Directors of Kith Holdings Limited (the "Directors"), together with its subsidiaries (the "Group"), I am pleased to announce the operational results of the Group and to present the annual report for the year ended 31st December, 2005.

SATISFACTORY OPERATIONAL RESULTS

Satisfactory results have been achieved in 2005 and the Group has successfully achieved, consecutively since 2004, a double-digit growth in both turnover and in profit attributable to equity holders for the year ended 31st December, 2005. Total turnover was recorded at HK\$1,381,172,000, representing an increase of 16.2% as compared to the turnover of HK\$1,188,531,000 in 2004. Approximately 25.4% of the total turnover was coming from the package printing business.

Profit attributable to equity holders increased by 17.7% from HK\$40,644,000 in 2004, to HK\$47,838,000 in 2005. Leverage on its depth in expertise and well-established relationship with the customers and suppliers, the Group has been able to sustain its leadership position and achieve continuous growth over the years and the Group's management is also optimistic about the years ahead.



股息

本公司一向採取穩定之股息政策。本公司已於二零零五年十月派付中期股息每股1.8港仙。董事會建議派付二零零五年末期股息每股7.2港仙，年度股息較二零零四年增加12.5%，維持派息率約50.0%。

業務回顧

包裝印刷部門

中華人民共和國(「中國」)之煙草業持續進行改革，卷煙工廠經過一連串之合併及重組後，中國產生若干大型香煙企業，例如紅雲烟草(集團)有限公司。憑藉本集團與其客戶之長遠關係，儘管受到合併及收購風氣影響，本集團仍可保持其客源，並為客戶開發新產品。因此，截至二零零五年十二月三十一日止年度，包裝印刷業務之營業額錄得350,225,000港元，較二零零四年增加6.2%。

DIVIDENDS

The Company has maintained a stable dividend policy. An interim dividend of HK1.8 cents per share was paid in October 2005. The Directors recommended the payment of a final dividend of HK7.2 cents per share for the year 2005, which represent an increase of 12.5% in total dividend for the year compared to that of 2004, maintaining a dividend payout ratio of approximately 50.0%.

BUSINESS REVIEW

Package printing division

Along with the continuous reforms in the tobacco industry in the People's Republic of China (the "PRC"), tobacco factories continued to undergo a series of mergers and reorganisations, which gives birth to some giant tobacco companies in the PRC, such as Hongyun Tobacco (Group) Co., Ltd. As a result of the long-term relationship with its customers, the Group was able to retain its customers, despite the impact from the merger and acquisition, and also developed new products for its customers. Accordingly, turnover from the package printing business for the year ended 31st December, 2005 was recorded at HK\$350,225,000, representing an increase of 6.2% as compared to 2004.



主席報告 Chairman's Statement

包裝印刷部門繼續為核心業務，於截至二零零五年十二月三十一日止年度佔本集團毛利約89.1%。雖然中國包裝印刷業競爭激烈，本集團仍取得持續業務增長，包裝印刷部門之毛利率約為31.2%。此外，此部門於二零零五年之純利率為20.9%。透過不斷投資研究及開發（「研發」）、員工培訓及實施有效之成本控制措施，本集團於過去數年一直維持毛利率於高水平。

煙草行業仍為本集團包裝印刷部門之主要業務分類，佔包裝印刷部門營業額之92.3%。隨著中國經濟之穩定及快速增長，特別是消費產品分類，中檔至優質消費品需求在年內仍然強勁，因此為本集團之發展提供龐大之市場。此外，根據2005中國市場年鑑，中國包裝業全年收益在過去多年均有良好增長。此等因素必定有助本集團於未來取得成功。

The package printing division, which remains the core business, contributed approximately 89.1% of the Group's gross profit for the year ended 31st December, 2005. In spite of the intensifying competition in the package printing business in the PRC, the Group managed to achieve sustainable business growth and gross profit margin for the package printing division at approximately 31.2%. In addition, the net profit margin for this division was 20.9% in 2005. The Group has demonstrated its capabilities in maintaining a consistently high gross profit margin over the years by continuously investing in research and development ("R&D"), training of staffs and taking effective cost control measures.

The tobacco industry remains as the Group's core business segment within the package printing division, representing 92.3% of the turnover in the package printing division. With the steady and rapid growth momentum in the PRC's economy, especially the consumer product segments, the demand for middle to premium quality consumer products remained strong during the year and therefore provide an ample market for the Group's development. In addition, according to the China Market Yearbook 2005, the PRC's annual revenue from its packaging industry recorded a tremendous growth in recent years. These factors will definitely contribute to the Group's future success.



此外，本集團不斷將其業務發展至其他行業分類。口腔護理產品及保健產品包裝市場於年內急速發展。因此，於二零零五年，非煙草銷售額佔包裝印刷業務總營業額7.7%，而於二零零四年則約佔6.0%。

新研發中心

本集團於去年在雲南省昆明市設立之研發中心（為雲南廠房之分廠）已接近竣工階段，預期於二零零六年第一季開始為本集團帶來收益。研發中心落成後定可提升本集團之研發能力及加強與客戶之關係，亦標誌著本集團於雲南省之持續努力及成果。研發中心將致力開發新設計、新應用及新技術，務求為本集團帶來整體利益，預期可吸引客戶之新訂單及提升產品質素，以取得更高利潤率。此外，研發中心於初期亦將著重於雲南省之藥品市場，以進一步開拓此市場分類之業務發展。

In addition, the Group has continued to develop into other industry segments. The market for oral-care product and health care product packaging jumped significantly during the year. As a result, non-tobacco sales accounted for 7.7% of the total turnover of the package printing business in 2005, as compared to approximately 6.0% in 2004.

New R&D Centre

The Group's R&D centre set up last year in Kunming City, Yunnan Province, which is a branch facility of the Yunnan plant, was nearly completed and is expected to generate income for the Group starting from first quarter in 2006. The completion of the R&D centre will definitely strengthen the Group's R&D capabilities and proximate relationships with customers. It will also typify the prolonged efforts and success of the Group in Yunnan Province. The R&D centre will continue to strive for the development of new design, new application and new technique for the benefits of the Group as a whole which, in turn is expected to attract new orders from customers and upgrade product quality eventually achieving a higher margin. In addition, it will also focus on the pharmaceutical market segment in Yunnan Province at the beginning stage in order to further explore the development of this market segment.



主席報告 Chairman's Statement

新合營公司

位於安徽省滁州市之新合營公司，即安徽僑豐包裝印刷有限公司（「安徽僑豐」）之建築工程於年內已達至最後階段，並於二零零六年第一季完成。一台滾筒凹板印刷機及兩台供燙金、壓凸及模切之印後工序機器，已於二零零五年年底前送抵安徽僑豐，並已於二零零六年初開始安裝及測試該等新機器。

安徽僑豐於初期主要從事印刷及製造安徽省之卷煙及酒類包裝產品，目標是以兩年時間發展至華東地區。本集團預期安徽僑豐於三年至五年後之年產量將為800,000大箱卷煙包裝產品。

新收購之附屬公司

本集團以總代價約4,324,000港元收購一間印刷公司之60%股權，該公司主要於雲南省專門製造及銷售奶類之包裝印刷品。此項於新附屬公司之較審慎投資有助本集團開拓新市場分類，即奶類之紙品包裝。

New Joint Venture Company

The construction of the new joint venture, namely Anhui Qiaofeng Package Printing Co. Ltd. ("Anhui Qiaofeng") in Chuzhou City, Anhui Province, was in full swing during the year and expected to be completed in first quarter of 2006. One rotogravure printing press and two post-press machines for hot-foil stamping, embossing and die-cutting were already delivered to Anhui Qiaofeng before the end of 2005 and the setting and testing of these new machines have already started in early 2006.

Initially, Anhui Qiaofeng will mainly engage in the printing and manufacturing of tobacco and wine packaging products in Anhui Province and commence to develop into the eastern region of the PRC in two-year time. Expected yearly production capacity in three-to-five year time will be 800,000 master cartons of tobacco packaging products.

New Subsidiary Acquired

The Group acquired 60% stake of a printing company at a total consideration of approximately HK\$4,324,000 which specialises in the manufacturing and sale of package printing products of dairy products with its markets mainly in Yunnan Province. The relatively modest investment in the new subsidiary enabled the Group to explore a new market segment, i.e. the paper packaging for dairy products.



分銷及投資部門

於回顧年度內，分銷及投資部門之營業額約為1,030,947,000港元，較二零零四年增加20.1%。大幅增長主要因為船舶燃油售價上升。

本集團繼續採取審慎存貨政策，將存貨數量維持在低水平，從而舒緩分銷業務部門之經營風險。於二零零五年十二月三十一日，分銷業務部門之存貨為2,000港元。

為致力發展包裝印刷之核心業務及避免進一步分散資源（包括財政及人力資源方面）至非核心海外業務，本集團已於二零零五年六月出售一家海外附屬公司。

此外，本集團亦於二零零五年十二月出售其於聯營公司之權益，以進一步專注發展其核心業務及集中資源於中國之包裝印刷核心業務，是項出售錄得溢利6,919,000港元。

Distribution and investment division

During the year under review, turnover from the distribution and investment business was approximately HK\$1,030,947,000, representing an increase of 20.1% over 2004. The tremendous growth was mainly attributable to the increase in the selling price of marine fuel oil.

The Group has continued to adopt a prudent inventory policy to mitigate business risks associated with the distribution business division by maintaining at a minimal level of inventory of HK\$2,000 as at 31st December, 2005.

In order to focus on its core business of package printing and avoid diverting further resources, both in the financial and human resources aspects, in non-core overseas operation, the Group disposed an overseas subsidiary in June 2005.

In addition, the Group also disposed its interest in an associated company at a profit of HK\$6,919,000 in December 2005 in order to further focus on its core business and dedicate its resources to its core business of package printing in the PRC.



主席報告 Chairman's Statement

有效之人力資源管理

於二零零五年十二月三十一日，本集團聘用合共約800名員工，大部份員工於其中國生產廠房工作。

本集團一向著重人力資源的發展，為僱員提供持續培訓，以維持本集團於最先進包裝印刷及設計技術方面之競爭優勢，尤其是防偽能力方面。藉著新研發中心之人力資源，本集團將可以加強開發及應用新原料以減低生產成本，以及新防偽技術以確保客戶訂單。

本集團亦安排高級技術人員多次到海外參觀，包括中國及海外舉行之多個印刷及包裝機器展覽會，令員工時常接觸最先進技術及印刷及包裝機器之最新資訊。

本集團繼續對全體僱員採用表現評估計劃。是項計劃確保每位僱員均獲有系統及可予評定之獎勵。

EXCELLENT HUMAN RESOURCE MANAGEMENT

As at 31st December, 2005, the Group employed a total of approximately 800 employees, mostly for its production plants in the PRC .

The Group has placed strong emphasis on the development of human resources with continuous training for the employees in order to maintain the Group's competitive edges in most advanced printing and design techniques, especially in the aspect of anti-counterfeit capabilities. By leveraging the human resources in the new R&D centre, the Group will be able to reinforce the development and application of new raw materials to lower production costs and new anti-counterfeit technique to secure customers' orders.

Several overseas visits have also been arranged for senior technical staffs to attend, including various shows for printing and packaging machine in the PRC and overseas, to keep the staff in touch with the most advanced techniques and printing and packaging machinery.

The Group continues to use a performance appraisal programme for all employees. The programme ensures that each employee will be rewarded on a systematic and assessable basis.



穩健之財政狀況

本集團貫徹審慎之財政政策，並保持健全之財政狀況。於二零零五年十二月三十一日，本集團的現金和銀行存款約201,959,000港元及流動資產淨值約110,709,000港元。由於本集團投資研發中心及安徽省新廠房，本集團之整體財務資產負債比率於二零零五年仍能維持穩健水平。其財務資產負債比率，即資產（包括股東資金加少數股東權益）負債比率由二零零四年之40.3%增加至二零零五年之53.0%。

未來展望

儘管面對瞬息萬變之營商環境，尤其是煙草業，本集團管理層對中國之包裝業務前景感到樂觀。憑藉本集團於業界之領導地位及新研發中心和安徽僑豐之貢獻，管理層深信定可保持其市場領導者之地位。此外，中國經濟於未來之發展趨勢仍然強勁，尤其是中檔至優質消費產品市場。隨著中國生活水平不斷改善，對優質消費品包裝之需求將有增無減，透過不斷投資於先進機器及研發防偽技術，管理層定可抓緊此市場分類湧現之商機。

STABLE FINANCIAL POSITION

The Group has continued its prudent financial policy and maintained a healthy financial position. As at 31st December, 2005, the Group had cash and bank deposits of approximately HK\$201,959,000 and net current assets of approximately HK\$110,709,000. In view of the new investments in the R&D centre and the new plant in Anhui Province, the Group has been able to maintain its overall financial gearing at a healthy level in 2005. Its financial gearing ratio, namely, net debt to equity (shareholders' equity plus minority interests) ratio, was increased from 40.3% in 2004 to 53.0% in 2005.

FUTURE PROSPECTS

Faced with the fast-changing business environment, especially in the tobacco industry, the Group's management is optimistic about the market for its packaging business in the PRC. By leveraging the Group's leading position in the industry and the contribution of the new R&D centre and Anhui Qiaofeng, the management is confident to sustain its market leader position. In addition, the growth momentum of the PRC's economy, especially in the middle to premium consumer product markets, will remain robust in coming years. With the improving living standards in the PRC and rising demands for premium quality consumer product packaging, the management will seize the opportunity to capture this market segment through continuous investment in advanced machinery and R&D of anti-counterfeit techniques.



主席報告 Chairman's Statement

位於雲南省昆明市之新研發中心將可確保提升設計新防偽技術之能力，及更佳應用新原料，以節省成本、達至更完善之設計及提升產品形象。新研發中心一方面將可緩和製作樣板之工作量，另一方面，將可進軍鄰近城市之市場（初步致力發展藥品業）。本集團管理層相信，新研發中心於中期至長遠而言，對本集團之新防偽技術及整體生產效益有所裨益。

安徽僑豐將於未來成為本集團之主要發展動力。於其建築工程完成後，本集團將可進軍安徽及華東地區之市場。由於該等省份之收入水平較其他省份高，因此本集團管理層對開發該等省份市場感到樂觀。管理層預期安徽僑豐之產量於三年至五年內將達至現時雲南廠房之產量。

The new R&D centre in Kunming City, Yunnan Province, will certainly enhance the capabilities in designing new anti-counterfeit techniques and in better application of new raw material in order to achieve cost savings, beautify design and upgrade product image. On the one hand, the new R&D centre will ease the workload of sample making, and on the other hand, it will capture the market of cities nearby, with the initial emphasis in pharmaceutical industry. The Group's management believes that the new R&D centre will benefit the Group as a whole in the aspects of new anti-counterfeit techniques and production efficiency in the medium to long run.

Anhui Qiaofeng will be the main growth driver of the Group in the years to come. Upon the completion of its construction, the Group will be able to capture the market in Anhui Province and eastern China areas. The Group's management is optimistic in the development of the markets in these provinces as the income level in these provinces is relatively higher than that of other provinces. The management expects the production capacity of Anhui Qiaofeng will achieve the production capacity level of the current capacity of Yunnan plant in three-to-five years time.



由於位於雲南省及黑龍江省之現有廠房以及安徽省之新廠房分別為中國之西南部、東北部及東部地區提供服務，本集團將可透過其遍及全國之生產及銷售網絡取得不同地區之客戶，並於未來維持強勁之盈利增長。

此外，本集團將秉承業務宗旨，積極物色新潛在業務夥伴，於中國南部、北部及西北地區設立新生產設施，以進一步增加本集團之地域覆蓋範圍及市場。本集團將繼續應用其於雲南之成功業務模式設立新生產廠房。

中國之煙草業預期將持續改革以進一步整固未來之卷煙製造商及品牌。該等改革將可締造出大型卷煙製造商，難免對包裝公司構成影響，然而，本集團之管理層在地方政府之協助下，透過預先與煙草公司展開磋商，積極從現有及新客戶取得訂單。本集團已成功從現有客戶取得訂單，亦為本集團提供龐大商機以開拓新市場。

With the existing plants in Yunnan Province, Heilongjiang Province and new plant in Anhui Province serving the southwestern, northeastern and eastern regions of the PRC respectively, the Group will be able to capture customers in different regions through its nationwide production and sales network and maintain strong earnings growth in the future.

In addition, the Group will adhere to the philosophy of proactively pursue new potential business partner for setting up new production facilities in southern, northern and northwestern region of the PRC, further broadening the Group's geographical coverage and market segments. The group will continue to apply its successful business models in Yunnan by setting up new production plant.

The tobacco industry in the PRC is expected to continue its reforms to further consolidate tobacco manufacturers and brands in the years ahead. The reforms will create giant tobacco manufacturers and inevitably affect packaging companies; however, the Group's management has adopted a proactive approach in securing the orders from both existing and new customers by commencing the negotiation with the tobacco companies beforehand with the help from the local government. The Group has successfully secured orders from existing customers and this will also provide immense opportunities for the Group to develop new markets.



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此外，大型卷煙製造商預期投入更多資源以提升產品形象及打擊贗品。由於卷煙製造商將增加預算費用以改善卷煙包裝，因此本集團相信可從中受惠。

再者，本集團將繼續增加向藥品製造商及其他消費產品製造商（例如保健及口腔護理產品製造商）之銷售，以將其產品組合推廣至其他行業。於二零零六年，本集團管理層將繼續與若干黑龍江省主要藥品製造商探討設立新合營企業。

憑藉於業內之領導地位及於中國市場之累積經驗，本集團將繼續發展其業務，而管理層相信，於未來定必取得穩定之可觀增長，並為其股東取得最大財務回報及為僱員帶來更佳利益。

In addition, the giant tobacco manufacturers are expected to deploy more resources to enhance product image and fight against counterfeit products. The Group will definitely benefit from this as the tobacco manufacturers will increase its budgets to improve tobacco packaging.

Furthermore, the Group will continue to expand sales to pharmaceutical manufacturers as well as other consumer product manufacturers, such as health care and oral care product manufacturers, to diversify its product mix to other industries. The Group's management has continued its exploration of setting up new joint venture with certain major pharmaceutical manufacturers in Heilongjiang Province in 2006.

Leveraging on the leading position in the industry and experiences accumulated in the PRC, the Group will continue to develop its business and the management believes sustainable growth will be achieved on a consistent basis in the years ahead while maximising financial returns for its shareholders and the benefits of its employees.



國際認可

於二零零五年，本集團榮獲福布斯亞洲評選為二百間年度收入在10億美元內及五年資金回報最少達5%之亞洲最佳上市企業之一。是項認可將可激勵各員工繼續為本集團作出承擔及努力。

致謝

本人謹代表本集團向其管理層及全體僱員衷誠致謝，感激各位竭盡所能，為本集團發展之成功作出貢獻。本人亦藉此機會向各位股東及業務夥伴致意，感謝彼等對本集團之信心及一直以來給予本集團之支持。

許經振

主席

香港，二零零六年四月二十日

INTERNATIONAL ACCREDITATION

In 2005, the Group was honoured to be recognised by Forbes Asia featuring one of the 200 Asia's best listed enterprises with revenue under US\$1 billion a year and five-year returns on capital of at least 5%. The recognition will motivate every staff to continue with his commitment and efforts in the Group.

APPRECIATION

On behalf of the Group, I wish to express my sincere thanks to our management team and to our employees, who have devoted their expertise and efforts to the Group's successful development. I would also like to express my gratitude to our shareholders and business partners for their confidence and continuing support of the Group.

Hui King Chun, Andrew

Chairman

Hong Kong, 20th April, 2006

