

► 主席報告
Chairman's Statement



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業務回顧

本人欣然向集團全體股東呈報本年度的業務概況。期內集團的營業額和股東應佔溢利均同時再創下集團的歷史最高，達到3,329,670,000港元和168,389,000港元，分別比較去年大幅增長24%和37%，董事會並建議派發期末股息每股9.0港仙，連同已派發的中期股息每股5.0港仙，全年合共派發每股14.0港仙，比較去年每股增加2.0港仙。同時集團於二零零六年三月三十一日的借貸比率，也從二零零五年三月三十一日的31%，二零零五年九月三十日的45%改善至28%的較低水平，股東資金回報率則持續攀升至20%的新高。

回顧期內，集團的三大核心業務均取得了令人滿意的增長和改善。溶劑業務的市場佔有率持續擴大；潤滑油業務則受惠於與新成立的葉氏太平洋的業務協調和整合，基本上已改善虧損局面；塗料業務則因為期內的原材料價格相對地較為穩定，波幅較少，毛利率回復較正常之水平，其經營溢利錄得高達五成的增長。

BUSINESS REVIEW

It gives me great pleasure to report to our shareholders our business performance for the financial year ended on 31st March, 2006. During this period, both turnover and profit attributable to shareholders again reached record levels, to HK\$3,329,670,000 and HK\$168,389,000 respectively, representing increases of 24% and 37% respectively. The Board recommends a final dividend of HK9.0 cents per share which, together with the interim dividend of HK5.0 cents per share already paid, makes the total dividend for the year HK14.0 cents per share, representing an increase of HK2.0 cents over last year. At the same time, the Group's gearing ratio as at 31st March, 2006 has improved from 31% at 31st March, 2005 and 45% at 30th September, 2005, to only 28%. Return on shareholders' funds has continued to climb, to an unprecedented 20%.

During the period under review, satisfactory growth and improvements have been achieved in each of the Group's three core businesses. Market share has continued to expand in the solvents business; lubricants business have benefited from synergies with the newly established Yip's Pacific Limited and have made significant improvement towards the business turnaround; while coatings business have seen margins returning to normal levels as a result of more stable raw material prices, and have accordingly recorded a 50% increase in operating profits.



業務回顧 (續)

整體而言，集團在過去的一年中，仍是面對一個頗為嚴峻的經營環境，利率的不斷攀升，各種運作成本的不斷增加，對本港各工業出口業務構成了沉重的壓力。同時，期內人民幣的升值，以至國際貿易的磨擦不斷加劇，對中國的經濟增長也帶來了一些負面的影響。然而，集團於期內所取得較預期為佳的成績，足以再次證明一個惡劣的經營環境，對本集團來說既是挑戰，更是機遇，集團多年來不斷累積之綜合競爭能力的提升和釋放，為集團的持續壯大和發展築造了良好的平台。

為達致讓股東們和投資者更容易認識本集團的業務概況，從本年度開始，本人將集團以前之六大核心業務重新歸類，簡化後依序為「溶劑」、「塗料」和「潤滑油」三大類，至於上年度的比較數字，本報告亦已相應地作出調整。

BUSINESS REVIEW (CONTINUED)

On the whole, the Group has been facing a rather formidable operating environment in the past year. Incessant increases in interest rates as well as continued increases in operating costs have put Hong Kong's export industries under tremendous pressure. At the same time, the Renminbi revaluation, coupled with China's disputes with trading partners have caused some adverse impacts on economic growth. Nevertheless, the Group's better than expected operating results during the past year have once again given ample testimony to its ability to overcome the challenges. The Group sees an imposing business environment to be a challenge as well as an opportunity – an opportunity to unleash the overall competitiveness of the Group built up over the years, and an opportunity to build a strong foundation for the sustained growth and development of the Group.

In order to make it easier for shareholders and investors to comprehend the Group's businesses, I have regrouped the then Group's six core businesses into three, namely: "Solvents", "Coatings", and "Lubricants". Comparative figures for the previous year have been reclassified accordingly in this report.



溶劑 Solvents

溶劑

包括單體溶劑（俗稱丁酯和乙酯）和混合溶劑（俗稱天拿水）兩種，前者廣泛被應用於塗料、皮革、醫藥、粘合劑等製造業，後者則被廣泛應用於玩具、電子、印刷、傢具等工業，屬於業界的輔助原料，集團內的多個附屬公司均有同時製造和銷售溶劑，目前是集團內最大的核心業務。

溶劑屬於易燃物體，儲存、生產的過程要求相當嚴格，運送的成本也特高，因此，基本上是屬於地區性的產品。回顧期內廣佈於珠三角的各種加工出口工業，受制於外圍經濟低迷，各種成本不斷上漲之影響，全年業務不見暢旺。因此溶劑業務在外銷方面與去年大致持平，但受惠於國內經濟持續強勁增長，需求大增，同時集團的大量採購、成本優勢、規模效應、規範管理等配套均突顯競爭優勢。因此，在內銷方面，業務繼續錄得大幅增長，全年結該業務的營業額是1,973,581,000港元，較去年上升25%，經營溢利是157,262,000港元，亦較去年上升1%。期內原料的波幅相對較少，溶劑業績的表現實屬正常的反映。

公司預期，溶劑的業務將繼續受惠於需求的強勁增長和本身的競爭能力的不斷提昇和鞏固，為集團提供穩定和卓越的盈利貢獻。公司已計劃在今年底，將單體溶劑之產能，再增加10萬噸，達到年產30萬噸的規模，躍升為世界級的溶劑製造廠。

SOLVENTS

This division includes raw solvents (also known as butyl acetate and ethyl acetate) and mixed solvents (also known as thinners). The former is widely used in areas such as coatings, tannery, medicine, and adhesives. The latter is mostly used by the toy, electronics, printing, and furniture industries, and serve as a supplementary raw material. Several subsidiaries of the Group produce and sell solvents simultaneously, making solvents currently the biggest core business of the Group.

Solvents are highly flammable products. Both production and storage processes of solvents must meet exceptionally high safety standards, hence transport costs are high. Consequently, the solvents business have tended to cater to regional markets. During the past year, the economies in the export processing industries have not been particularly robust, and with costs rising continuously, Pearl River Delta's export industries on the whole faced a rather difficult year, with demand tending to be weak. Consequently, the performance of our solvents business in the export sector have experienced little growth compared with the year before. However, in view of the sustained strong growth of China's domestic economy, coupled with the competitive advantages of the Group both in sound management and in economy of scale, the business continued to register strong growth. Turnover reached HK\$1,973,581,000, representing a growth of 25%, while operating profit was HK\$157,262,000, also an increase of 1% over last year. In the last year, raw material prices have been less volatile, and the solvents results should reflect a more normal business environment for the business.

We anticipate that the solvents business will continue to benefit from strong demand growth, and will continue to be an important contributor to the Group's profits. The Group plans to further expand the solvents capacity towards the end of this year, by 100,000 tons to 300,000 tons per annum, making it one of the world leaders in this business.

塗料 Coatings

塗料

與溶劑的關係相當密切，除部份例如乳膠漆的水性塗料外，其餘絕大部份的塗料都是以溶劑為主要原料，並且在施工時與溶劑一起使用的。集團的塗料業務，基本上是溶劑業務在相當基礎下，逐漸發展和走向多元化的。目前集團的塗料業務是由四個品牌所經營，它們分別是「紫荊花」的漆油、「洋紫荊」的油墨、「工樂施」的特種上光油以及「大昌」的樹脂。

塗料的用途更為廣泛，常見的建築、裝修工程；食品、禮品包裝；玩具、電子；傢具；印刷等工業的後加工，每每都在大量地使用不同的塗料。目前，全中國每年的塗料耗用量約600億港元，仍屬於發展中國家的使用水平。隨著預期中國作為「世界工廠」的角色短期內不會改變，中國持續的開放改革和深化及經濟繼續快速發展，必然造就一個龐大的內部需求市場。因而可以預期，塗料業務在中國的發展前景將是非常的秀麗。本集團也深視此為集團最具發展潛力的核心業務。

而事實上，去年塗料業務的表現相當令人鼓舞，期內的營業額錄得1,196,034,000港元，較去年增長12%，經營溢利則因為成本控制取得較好的突破，毛利率已回復較合理的水平，而得以大幅改善，錄得80,568,000港元，較去年大幅增長50%。



COATINGS

Coatings are closely related to solvents. With the exception of water-based latex emulsion paints, most of the other coatings not only use solvents as a major component, but they are also used in conjunction with solvents during their application. The Group's coatings business was essentially developed from a firm foundation of a strong solvents business. Currently, the coatings business operates under four brands: "Bauhinia" for paints, "Bauhinia Variegata" for inks, "Golaxxo" for varnishes, and "Da Chang" for resins.

Coatings have a wide variety of applications. Industries such as construction and refurbishment projects, food and gift packaging, toys, electronics, furniture, and printing all consume significant quantities of different kinds of coatings. At about HK\$60 billion per year, the current demand for coatings in all of China is still only at the level of developing countries. With the expected continuation of China's role as a global manufacturing centre and the sustained policy of openness and reform, the economy will continue its fast pace of growth, thus creating a large domestic market for coatings. We therefore anticipate that the prospect for the coatings business in China will be excellent, and the Group sees this core business to be the one with the greatest potential for growth.

In fact, the performance of the coatings business last year has been quite gratifying, achieving a turnover of HK\$1,196,034,000, which is 12% higher than the previous year. Moreover, due to much improved control over operating costs, profits have returned to more reasonable levels. At HK\$80,568,000, operating profit have increased significantly, by 50% over the previous year.



塗料 Coatings

塗料 (續)

塗料業務在中國市場之巨大和競爭之激烈，是不容置疑的。然而本公司的產品入市近二十年，在市場上已建立不俗的享譽度，本公司多個現代化廠房分佈在不同的發展較快的地區，形成一定的規模效應和競爭優勢，相信可為塗料業務的持續壯大和發展提供了良好的基礎。

紫荊花漆油榮獲「中國名牌」

去年九月一日，紫荊花品牌建築塗料(內外牆)產品被中國質量技術監督總局評定為首屆「中國名牌」產品。今次評定由中國質量技術監督局及中國名牌推進委員會主辦，第一次由全國八千多家塗料企業之中，由多名權威專家組成的評選組，經過多次嚴格篩選，反覆評價，最後評定八間塗料企業得此榮譽。此殊榮得之不易，對紫荊花漆油知名度的提昇起到很大作用。二十年來所建立的品牌得到了肯定，市場及廣大消費者對紫荊花產品信心大增，特別對拓展中國龐大的建築塗料市場帶來更美好的遠景。

COATINGS (CONTINUED)

There is no doubt that the coatings market in China is extremely large, and the competition very keen. The Group has been serving this market for nearly 20 years, and has established a sound reputation. We have a network of manufacturing facilities, spread over different, high-growth regions, creating a definite economy of scale and competitive advantage and laying the foundation for sustained growth and strengthening of the Group's coatings business.

Bauhinia Paints Acknowledged As "China Top Brand"

On September 1st last year, the Bauhinia brand for architectural paints (indoors and outdoors) was granted "China Top Brand (中國名牌)" by the China Quality and Technology Monitoring Bureau (中國質量技術監督總局). The award was organized and presented by the China Quality and Technology Monitoring Bureau and the China Brand Name Promotion Committee (中國名牌推進委員會). As this was the first time that the "China Top Brand" award has been extended to the category of paints, the judging panel, which consisted of experts in the field, finally selected eight outstanding coatings enterprises out of more than 8,000 coatings manufacturers after numerous rounds of strict selection and evaluation. The Group considers this hard-won honour to be a recognition of 20 years' effort in building the Bauhinia brand, and believes it will undoubtedly enhance the reputation of Bauhinia Paints and increase the confidence of the market and consumers in Bauhinia branded products, which will benefit the Group's efforts on developing China's enormous architectural coatings market.

塗料 Coatings



塗料 (續)

增購漆油業務股權

本公司與王健先生於今年四月通過雙方友好協商達成協議，本公司以15,000,000人民幣購進王先生所持有的Bauhinia Paints Limited的6.5%股權。完成收購後，專責油漆業務之Bauhinia Paints Limited成為本集團之全資附屬公司。王先生與本公司合作多年，並於1995年成為本公司之合作伙伴，期間為漆油業務在中國的發展和壯大作出了非常傑出的貢獻，本公司特此再次深表謝意。

洋紫荊油墨再獲殊榮

「洋紫荊」油墨繼獲得廣東省著名商標後，於二零零五年九月再獲得了「廣東省用戶滿意產品」的稱號，此項殊榮是廣東省政府為實施名牌帶動戰略，促進企業建立以用戶滿意為中心的經營管理體系，由廣東省質量協會根據《產品質量法》的有關規定，通過用戶評價調查而審議評定的。是市場用戶給予企業的肯定，為洋紫荊油墨申報中國著名商標奠定了良好的基礎。

COATINGS (CONTINUED)

Acquisition Of The Remaining 6.5% Of Bauhinia Paints Limited

In April 2006, the Group reached agreement with Mr. Wang Jian to purchase the remaining 6.5% interests in Bauhinia Paints Limited for RMB15,000,000. After completion of the acquisition, Bauhinia Paints Limited, which is responsible for the Group's paints business in China, will become the Group's wholly owned subsidiary. Mr. Wang has been working with us for many years, and has been a business partner of our Group since 1995. During this period, he has made tremendous contribution to the growth and development for our paints business in China, and I wish to express my deep appreciation for his contribution over the years.

Bauhinia Variegata Gained Recognition For A Second Time

Following the award of the "Famous Brand of Guangdong Province (廣東省著名商標)" title earlier, Bauhinia Variegata achieved the distinction of being granted "Consumer Satisfaction Product of Guangdong Province (廣東省用戶滿意產品)" in September 2005. The government of Guangdong province initiated this campaign with the aim of fostering growth by deploying branding strategy and encouraging corporations to develop business management systems centered on consumer satisfaction as the key objective. The Quality Council of Guangdong Province (廣東省質量協會) developed the assessment criteria based on the requirements under the Product Quality Law (產品質量法), and the brands were evaluated by using consumer surveys. So this is actually an endorsement by the consumers. This recognition laid a solid foundation for Bauhinia Variegata's application for "Famous Brand of China (中國著名商標)" status as it serves.



塗料 Coatings

塗料 (續)

洋紫荊油墨業務搬新廠

本公司投資65,000,000港元，位於廣東省中山市之油墨新廠將於本年七月前投入使用，該新廠佔地45,000平方米，年產能可達2.5萬噸油墨，並已預留空間為日後擴建之用，新廠各項更為先進、完善的設施，可為客戶提供更優質的產品與服務，是本公司油墨業務的一個重要里程碑。

入股龍蟒鈦業

四川龍蟒鈦業有限責任公司是四川著名民營企業龍蟒集團的附屬公司，創立於二零零一年，專業從事鈦白粉的生產和銷售業務。公司成立以來，業務拓展快速，產能連年遞增，預期新的四萬噸生產線將於今年十月投入使用，合共產能共八萬噸，產值達十二億人民幣水平，是目前國內最大的鈦企業之一。該公司並已計劃在未來三年內，將產能逐步擴建至三十萬噸，成為世界級的鈦企業之一。

COATINGS (CONTINUED)

New Bauhinia Variegata Inks Plant Commissioned

The Group has invested HK\$65,000,000 to construct a new inks plant in Zhong Shan, and the new plant will come on stream before July 2006. The new plant will occupy a land of 45,000 sq. meters, and will be able to produce 25,000 tons of inks. Moreover, space has been set aside for further expansion in future. The plant's state-of-the-art facilities will be well placed to provide even better products and services to our customers, and this plant will mark an important milestone for our inks business.

Strategic Investment In The Lomon Titanium Limited

Sichuan Lomon Titanium Limited is a subsidiary of "Lomon Holdings", a well-known private company located in Sichuan, China. Established in 2001, the company specializes in the production and sale of titanium dioxide. Since its establishment, the business has grown rapidly, with continued large increases in production capacity. A new 40,000-ton production line is expected to be commissioned in October 2006, bringing total production capacity to 80,000 tons per year, with a yearly turnover of RMB1.2 billion, making it one of the largest titanium dioxide producers in China. The company is also planning to continue to expand, in various stages over the next three years, to raise the production capacity to 300,000 tons, making it a world-class titanium dioxide producer.

塗料 Coatings



塗料 (續)

入股龍蟒鈦業 (續)

集團於去年七月以17,600,000人民幣攤佔「龍蟒鈦業」的8%股權，集團除視此為一項長期優質的投資外，並且因為鈦白粉是生產塗料的主要原料之一，與「龍蟒」的結盟，相信對集團的塗料業務在提昇品質和成本控制方面帶來裨益。

過去的一年「龍蟒鈦業」的業績表現遠較預期為佳，本年四月經「龍蟒鈦業」董事會決議及在五月份股東大會通過派發股息，將列入二零零六至二零零七年度的其他收入內。

COATINGS (CONTINUED)

Strategic Investment In The Lomon Titanium Limited (continued)

In July 2005, the Group invested RMB17,600,000 to take up 8% shareholding in Lomon Titanium Limited. While the Group considers this as a sound and long-term investment, the Group also believes that, because titanium dioxide is one of the main raw materials for coatings, strategic partnership with Lomon will bring benefits to the coatings business, especially in the areas of quality enhancement and costs control.

During the past year, Lomon Titanium Limited's operating results have far surpassed our expectations. Dividends from the Lomon investment, which was recommended by the Board of Directors of Lomon in April, 2006 and subsequently approved by the Annual General Meeting in May, 2006, will be included in other income in the financial year 2006/2007.



潤滑油 Lubricants

潤滑油

期內的經營環境是非常的惡劣，過去兩年國際原油價格的大幅攀升，加上全球性的煉油設施出現短缺，導致生產潤滑油的主要原料—基礎油相應地出現價格飛揚和供應緊張，市場的競爭情況又是異常的激烈，數大市場主導公司採取非常手段，務求令更多的中小型競爭者退出市場。公司慶幸早於年初大力重整產品架構，逐漸淡出中低檔市場，產品的升級換代在期內取得了初步的成效。

集團在去年二月與「太平洋石油有限公司」按六成和四成的比例，在香港合組成「葉氏太平洋有限公司」，該公司專責從事特種潤滑油業務，而公司則繼續專注在汽車發動機和工業設備潤滑油方面，兩公司在業務發展方面清晰分工，但在客戶訊息、採購、物流等各方面則緊密合作，爭取協同效益。受惠於此，該業務的全年營業額錄得219,314,000港元，較去年增長91%，經營虧損仍錄得近300,000港元，但較去年近23,000,000港元的虧損，已大幅改善。

公司預期本年度潤滑油的經營環境依然非常的嚴峻，但最壞的情況相信將逐步過去，隨著原業務的整頓進一步深化和鞏固，與新業務的協同效應逐漸浮現和擴大，潤滑油的業務可望於本年度轉虧為盈，並將成為集團內持續盈利的核心業務。

LUBRICANTS

The business environment for lubricants was extremely difficult last year. With crude oil prices at unprecedented heights, and with a shortfall in refining capacities worldwide, base oil supply prices have soared in the face of shortages. At the same time, the market remained intensely competitive, with major players who have in-house sources for base oils taking extraordinary predatory measures to drive medium to small competitors out of the market. Fortunately, the Group has taken timely measures to reposition and upgrade the product portfolio, and these measures have achieved at least initial success.

Last February, the Group formed a 60/40 joint venture company "Yip's Pacific Limited," with Pacific Oil and Chemical Company Limited. The new company is primarily focused on specialty lubricants, while the Group's wholly owned lubricants subsidiary is primarily responsible for automotive and general purpose industrial lubricants. The two companies have clearly defined individual markets, but work together in a complementary manner in the areas of market and customer information, procurement, and logistics, trying to optimize the mutual synergy in the two companies. In view of these efforts, the lubricants business recorded a turnover of HK\$219,314,000, representing a growth of 91%, while the business still recorded an operating loss of nearly HK\$300,000, it is indeed a tremendous reduction from the previous year's around HK\$23,000,000 loss.

We expect that the operating environment will not offer us any reprieve in the short term, although it is likely that the worst is now behind us. With the restructuring of the original automotive and general purpose lubricants business continuing to take root, and the synergistic effect with the new business gradually manifesting itself, we are optimistic that the lubricants business will turn positive in the coming year, and will become a sustainable profitable business of the Group in future.



榮登福布斯亞太區優秀企業榜

福布斯乃全球最權威、最具影響力的財經雜誌之一。福布斯雜誌亞洲版每年均從亞太區兩萬多家上市公司中選出兩百家業務表現最佳、而營業額又在十億美元以下的中小企，並在其雜誌發表此「福布斯亞太區優秀企業榜」(Forbes Asia Best Under a Billion)以茲表揚。由於遴選準則嚴格，財經界向對此福布斯亞太區優秀企業榜高度重視。本集團由於過去數年業績錄得穩定增長，終在去年度榮登此福布斯亞太區優秀企業榜。本集團視之為國際間財經界對集團在過去數年間不懈的努力的確認。本集團的管理層亦承諾，務必在目前的穩固基礎上繼續努力，為股東爭取更佳的回報。

流動資金及財政資源

集團持續奉行審慎財務管理策略。本年營業額再創高峰，而一般年初為集團的傳統淡季，資金需求較小，加上集團積極控制應收賬及庫存，使借貸比率下降。於二零零六年三月三十一日集團的淨銀行貸款為249,617,000港元(二零零五年三月三十一日：232,427,000港元)，借貸比率為28%(二零零五年三月三十一日：31%)，此比率以淨銀行貸款佔股東權益為計算基準。於二零零六年三月三十一日，共有15間在香港及國內之銀行，向集團提供合共

GROUP JOINED FORBES ASIA'S LIST OF TOP COMPANIES IN ASIA

Forbes Magazine is one of the world's most authoritative and influential finance magazines. Every year, Forbes Asia presents a listing of Asia's 200 best enterprises selected from over 20,000 listed companies in Asia with annual revenue under US\$1 billion. The list is then featured in Forbes Asia's "Best Under a Billion" issue. As the selection process adheres to very strict standards, inclusion in this list is deemed by the financial sector as an honour, and we are proud and honoured to be so recognized in 2005. We consider this inclusion to be a recognition of the tireless efforts of our Group by the international financial community. Riding on an existing solid foundation, the Group's management pledges our continued efforts to achieve yet higher returns for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to implement prudent financial management strategy. Turnover of the Group achieved new height last year. Generally speaking, the beginning of a calendar year is a low season of the Group, as such, requirement of working capital is less. Besides, the Group proactively controls the account receivable and inventory level, leading to the lower down of gearing ratio. Net bank borrowings of the Group as at 31st March, 2006 was HK\$249,617,000 (31st March, 2005: HK\$232,427,000). Gearing ratio of the Group, calculated on the basis of net debt over shareholders' funds, was 28% as at 31st March, 2006 (31st March, 2005: 31%). As at 31st March, 2006, a total of 15 banks in Hong

流動資金及財政資源

(續)

1,191,713,000港元之短期及中期銀行融資額度，其中79%以港元定值，而餘額則以人民幣定值。此額度包括了集團於年內從三間香港銀行獲取合共180,000,000港元之三年期中期銀行貸款。此等貸款已全數動用，並分別以7至12個季度還款。於二零零六年三月三十一日集團須於一年內清還之銀行貸款為347,633,000港元，其中39,992,000港元以人民幣定值（二零零五年三月三十一日：282,777,000港元，其中28,170,000港元以人民幣定值），而須於一年後清還之中期貸款則為165,885,000港元（二零零五年三月三十一日：126,316,000港元）。集團所有的貸款均按浮動利率計算利息。

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。

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。集團亦使用人民幣借貸作對沖部份人民幣匯率風險。由於過往幾年間人民幣之匯率相對穩定且此情況相信會維持一段短時間，管理層因此認為在現階段無需採取對沖措施。為控制借貸成本，集團將持續揀選以港元或人民幣之銀行貸款作為各項投資之融資手段。

LIQUIDITY AND FINANCIAL RESOURCES

(CONTINUED)

Kong and PRC granted short and medium term banking facilities totaling HK\$1,191,713,000 to the Group, 79% of these facilities were denominated in Hong Kong Dollars and the rest in Renminbi. Included in these facilities were 3 medium term loans with a total amount of HK\$180,000,000 arranged with 3 banks in Hong Kong in the past year. These loans have been fully drawn and are repayable by 7 to 12 quarterly repayments over a period of 3 years. As at 31st March, 2006, the total bank loans that were repayable within one year was HK\$347,633,000, of which HK\$39,992,000 was denominated in Renminbi (31st March, 2005: HK\$282,777,000, of which HK\$28,170,000 was denominated in Renminbi), while term loans repayable after one year were HK\$165,885,000 (31st March, 2005: HK\$126,316,000). All bank loans of the Group carry interest at floating rates.

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.

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 partial 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. To control the costs of borrowings, the Group will continue to fund its investments by selecting the RMB or Hong Kong dollar bank loans.



僱員

於二零零六年三月三十一日，本集團之僱員人數合共為3,575人，其中香港之僱員人數為158人，而中國其他省份之僱員人數則為3,417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及購股權。集團不時檢討薪酬及獎懲制度，確保員工得到合理及公平的薪酬待遇，集團有效吸引人才及挽留人才。

員工自強不息優質化是集團的核心信守之一，集團推行行政管理見習生及技術見習生計劃，於香港及國內高等學府招納一流人才為本司工作，通過有效的培訓將其提升成為管理精英或技術專才，培育集團管理接班人及加強子公司的研發力量，保持及提升集團整體的市場競爭力，真正善用人才資源。另外，透過全職僱員負責的內部培訓及參與外界訓練課程，員工不斷增強工作技能，集團推行的教育資助政策，亦鼓勵員工不斷提昇自己。

EMPLOYEES

As at 31st March, 2006, there were a total of 3,575 employees of which 158 were based in Hong Kong and 3,417 were based in other provinces in the PRC.

Employees receive competitive remuneration packages including salary, variable bonus that is linked to attainment of the Group and individual performance as well as share options. The remuneration and incentive systems are reviewed from time to time, as to ensure the employees obtain equitable and fair packages and the Group is able to attract and retain competent employees.

The group pledges always to enable our employees to achieve continuous self-improvement. The group has the Executive Management Trainee and the Technical Trainee Programmes that aim to nurture and grow our business leaders and technical experts of the future. These trainees are selected from first class universities in Hong Kong and PRC. Through effective training and development programmes, a consistent flow of high quality executives for management succession and technical expertise to enhance our research capability in the group can be assured, as maintaining our market competitiveness. Moreover, employees are continuously trained to enrich their job skills and competencies through internal training conducted by full time training staff and external training. The group has an educational subsidy scheme to encourage employees to upgrade themselves.



展望

今年的八月和十月分別是集團在香港上市15週年和創辦35週年的雙重紀念，是集團發展歷史上一個重要的里程碑。早在去年底已在集團內凝聚共識，爭取在本年度突破歷史新高的佳績以示隆重慶祝之意。儘管年度內預期面對包括：原材料價格波動、利率高企、人民幣升值壓力、宏觀調控的影響等不明朗因素依然存在，但本人深信中國經濟的持續高速增長，並且增長的動力來源將更多的是由刺激內部需求所帶動。對集團來說絕對是一個難得的發展機遇，其不斷釋放的經濟動力，可將所有不利之因素抵銷。同時，過去幾年來集團在專注提升核心業務的綜合性競爭能力方面，所投入的大量資源和努力，預期累積的成效，也將不斷地浮現和突顯，正好乘著中國經濟起飛的東風，將集團的業務帶來一個更大的飛躍。

最後，本人代表董事會對股東們、客戶、供應商、銀行界、投資界和傳媒界的朋友們的大力支持，對全體員工們的不懈努力和卓越貢獻，致以最衷心的感謝。

葉志成
主席

香港，二零零六年六月二十九日

PROSPECTS

This year marks a special milestone for the Group. In August, it will be its 15th anniversary since listing on the Hong Kong Stock Exchange. October will mark the 35th anniversary since the business was formed. It has been our goal to achieve record-breaking results as a fitting celebration for this landmark year. Looking ahead, we expect that there will continue to be challenges : volatilities in raw material prices, interest rates at lofty heights, revaluations pressure on the Renminbi, and the after-effects of the macro-economic measures by the Chinese Government. These uncertainties will persist, but I remain confident that the Chinese economy will continue to grow strongly, and domestic demand will be the main engine for growth. I see this as a good opportunity for the Group's development. The stimulus provided by a vibrant domestic economy should be able to offset all the negative factors on the horizon. At the same time, the cumulative results of the efforts and the resources we have invested over the past years to raise the overall competitiveness of our core businesses should be bearing fruit. With the Chinese economy taking off, the Group's business is poised to scale even bigger heights.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to all the shareholders, customers, suppliers, the banking and financial Sector, and to friends in the media for their 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, 2006