

Management Discussion and Analysis 管理層討論及分析



Scent of innovation and nature

EcoGreen's products serve as the functional ingredients of various daily necessities

創新與天然混合之香味

中怡的產品是構成各種

日常生活用品的功能元素

Final Dividend

In 2006, EcoGreen Fine Chemicals Group Limited ("the Company") and its subsidiaries (collectively "Ecogreen" or "the Group") recorded satisfactory business performance. In order to reward our shareholders for their continued support, the directors of the Company (the "Directors") have resolved to recommend a distribution of dividend.

The Directors will propose at the annual general meeting to be held on 21 May 2007 payment of final dividend of HK2.3 cents per share for the year ended 31 December 2006 to be payable in cash on 1 June 2007 to shareholders whose names are listed on the register of members of the Company on 21 May 2007. Together with the interim dividend of HK0.8 cent (2005: HK0.8 cent) per share, this will bring the total dividend distribution for the year to HK3.1 cents (2005: HK2.0 cents) per share.

末期股息

中怡精細化工集團有限公司(「本公司」)及其附屬公司(統稱「中怡」或「本集團」)於二零零六年度的業務表現理想，為答謝股東不斷支持，本公司董事(「董事」)議決向本公司建議派付股息。

董事將於二零零七年五月二十一日舉行之應屆股東週年大會，建議於二零零七年六月一日向於二零零七年五月二十一日名列本公司股東名冊之股東就截至二零零六年十二月三十一日止年度派付末期現金股息每股2.3港仙。連同中期股息每股0.8港仙(二零零五年:0.8港仙)，本年度之股息分派總額為每股3.1港仙(二零零五年:2.0港仙)。

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Closure of Registers of Members

The transfer books and register of members of the Company will be closed from Wednesday, 16 May 2007 to Monday, 21 May 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 15 May 2007.

Business Review

In 2006, the global fine chemical industry witnessed exponential expansion due to favourable economic environment. Downstream industries using the Group's products, such as the flavour and fragrance industry, food and beverage industry, personal care industry, household care industry and pharmaceutical industry, all maintained their growth momentum. This coupled with other favourable factors such as the migration of the industry to emerging countries and the increase in domestic consumption power has fuelled the rapid development of the fine chemical industry in emerging countries, in particular the PRC. As such, the Group's three major business segments all recorded actual growth.

In 2006, the Group recorded a faster average growth rate compared with the previous few years in terms of business performance. Turnover reached RMB533.0 million, an increase of 39% from the previous year. Profit attributable to shareholders rose RMB24.3 million or 34% from the previous year to RMB95.4 million. Earnings per share were approximately RMB20.7 cents.

Sales and Marketing

During the year under review, the Group manufactured over 40 fine chemical products. The analysis of turnover and gross profit of the Group's various products for the years ended 31 December 2006 and 31 December 2005 are as follows:

暫停辦理股份過戶手續

本公司將於二零零七年五月十六日星期三至二零零七年五月二十一日星期一（包括首尾兩日）暫停辦理股東登記手續，期內將不會辦理股份過戶登記手續。為符合資格獲享擬派末期股息，所有過戶文件連同有關股票，須於二零零七年五月十五日星期二下午四時正前送交本公司股份過戶登記分處登捷時有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

業務回顧

於二零零六年，在良好的經濟環境下全球的精細化工行業錄得顯著擴張，應用本集團產品的下游行業如香精香料行業、食品及飲料行業、個人護理品行業、家庭護理品行業、製藥行業等仍保持增長勢頭，加上產業轉移至新興國家和其內部消費能力提升等的利好因素下，精細化工行業在以中國為代表的新興國家之中發展尤其迅速，因此本集團內之三大主要業務類別均錄得實質的增長。

於二零零六年，本集團於業務表現方面錄得優於過往幾年的平均增長速度。營業額達至533,000,000元人民幣，較去年增加39%。股東應佔溢利達95,400,000元人民幣，較去年增加24,300,000元人民幣或34%。每股基本盈利約為20.7仙人民幣。

銷售及推廣

於回顧年度內，本集團生產約40多種精細化工產品。本集團於截至二零零六年十二月三十一日及二零零五年十二月三十一日止年度內各類產品營業額及毛利分析如下：

		Turnover		Gross Profit	
		營業額		毛利	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		千元人民幣	千元人民幣	千元人民幣	千元人民幣
Aroma chemicals	芳香化學品	261,309	182,718	83,118	58,840
Natural extracts	天然提取物	97,666	73,600	35,520	26,718
Intermediates	中間體	60,929	50,600	41,480	38,307
Trading and resource management	貿易與資源運營	113,071	77,499	9,882	9,558
Turnover/gross profit of the Group	本集團營業額／毛利	532,975	384,417	170,000	133,423

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Aroma Chemicals

Aroma Chemicals division continued to be the Group's core business during the year under review, and generated significant and stable income for the Group. During the year under review, since aroma chemicals are primarily used as functional ingredient in many daily necessities, demand for such downstream products in China and the international market continued to rise, generating more sales for the Group. For the year ended 31 December 2006, sales of aroma chemicals significantly surged 43% to RMB261.3 million, accounting for 49% of the Group's turnover (2005: 48%) and a gross profit margin of 31.8% (2005: 32.2%). Dihydromyrcenol was an important contributor which brought a revenue of RMB83.9 million to the Group. Its sales increased 56% over the corresponding period last year and accounted for 32% of the total revenue for this product category.

Natural Extracts (Also known as Natural Pharmaceutical Raw Materials)

The Natural Extracts division includes the Group's existing natural pharmaceutical raw materials, and food seasonings produced with bio-conversion and purification technologies on natural product, in particular, seafood and meat extracts.

During the year under review, the Group's natural extract business maintained steady growth because demand for downstream products rose steadily on the back of improving living standard and increasing health consciousness, pushing up market demand for the Group's products, coupled with the recognized product quality of the Group. Turnover of this business category increased 33% to RMB97.7 million, accounting for 18% (2005:19%) of the Group's sales. Gross profit margin was 36.4%, similar to 36.3% of last year. The performance of Natural Cinnamic Aldehyde was relatively more outstanding under this business category. This product contributed a revenue of RMB28.1 million to the Group and its sales increased 44% over the corresponding period last year and accounted for 29% of the total revenue for this product category.

Intermediates (Also known as Chiral Pharmaceutical Raw Materials and Pharmaceutical Intermediates)

Besides the existing chiral pharmaceutical raw materials and pharmaceutical intermediates, Intermediates division now also include agrochemical intermediates used for regulating the growth of plants, which is recently developed with similar technologies.

During the year under review, orders for the Group's intermediate products maintained steady. Turnover increased 20% from the corresponding period last year to RMB60.9 million, accounting for 12% (2005:13%) of the Group's sales. Gross profit margin dropped to 68.1% from 75.7% of the corresponding period last year. However, the gross profit margin of this product category of the Group was still higher than its peers in the industry. 3-Phenylpropanal Aldehyde is the major product of the intermediate business segment. Sales for this product category accounted for 45% of the overall sales of this business category and contributed a revenue of RMB27.6 million to the Group.

芳香化學品

芳香化學品於本回顧年度內繼續作為本集團之核心業務，為集團提供龐大及穩定的收入。於本回顧年度，由於芳香化學品主要用作多種日常用品之功能組份，故該等下游產品於中國及國際市場之需求不斷增加，為本集團帶來更多銷售。截至二零零六年十二月三十一日止年度，芳香化學品之營業額大幅增長43%至261,300,000元人民幣，佔本集團營業額的49%（二零零五年：48%），毛利率為31.8%（二零零五年：32.2%）。當中以二氫月桂烯醇為當中的佼佼者，其銷售額較其去年同期增長56%，並為集團提供了83,900,000元人民幣的收益，佔本產品類別總收益的32%。

天然提取物（又統稱為天然藥物原料）

天然提取物類別包涵了本集團原有的天然藥物原料以及利用天然物轉化提純技術生產的用於調香調味的食品配料，特別是海鮮、肉類等提取物。

於本回顧年度，由於社會生活水準及保健意識的提升帶動了市場對下游產品的需求，加上得益於市場對本集團產品品質的認受，本集團天然提取物的業務錄得平穩的增長，營業額增長33%至97,700,000元人民幣，佔集團銷售額的18%（二零零五年：19%），毛利率為36.4%，與去年毛利率36.3%相若。當中以天然肉桂醛表現較突出，其銷售額較去年同期增長44%並為集團提供28,100,000元人民幣的收益，佔本產品類別總收益的29%。

中間體（又統稱為手性藥物原料及醫藥中間體）

中間體類別除了原有的手性藥物原料及醫藥中間體外，還包涵運用同類技術新近開發的用作調節植物生長的生態農用中間體。

於本回顧年度，本集團中間體產品的訂單維持平穩。營業額較去年同期錄得20%增幅至60,900,000元人民幣，佔集團銷售額的12%（二零零五年：13%），而毛利率則從去年同期之75.7%有所下降至68.1%。儘管如此，本集團該類產品的毛利率在同業中仍處於較高水準。在該類別產品中，以3-苯丙醛為主，其銷售額佔本類別之45%，為本集團提供了27,600,000元人民幣的收益。



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Trading and Resource Management (Also known as Trading Products)

Trading and resource management division is only a supplement to the Group's core business. In the past, comprised mainly the integrated sales of the raw materials of aroma chemicals. During the year, taking into account the persistent high market prices of raw materials and the increase in the demand for raw materials not produced by the Group, the Group has repositioned such business into an effective management of relevant strategic resources, including mainly the gum turpentine and other special botanic essential oils and their by products. For the year ended 31 December 2006, sales of the Group's trading and resource management business amounted to RMB113.1 million, accounting for 21% of the Group's turnover, and contribution to gross profit was approximately RMB9.9 million. As well as being a necessary supplement to the Group's core business, this business segment also brought sales and profit contribution to the Group during the year under review.

For the trading and resource management business, the major objective of integrated sales is to improve the quality of the Group's sales services so as to satisfy the customer demands and to provide a more comprehensive product portfolio and value-added services to its clients, which will in turn enhance the status of the Group and "DOINGCOM" brand in the industry.

Operations

Although China's macro economic environment and the international flavour and fragrance sector in 2006 were satisfactory, uncertainties arising from high raw material prices, Renminbi appreciation and interest rate hikes adversely affected a majority of different industries. Such factors also created more upward pressure on the operating cost of the Group. Leveraging on its solid foundation in the industry, the Group proactively adopted various effective measures in its operating strategy, and adjusted product prices on a timely basis to minimise the impact of the cost fluctuation of raw materials. In addition, through the application of innovative technology in Phase II expansion of the Xiamen plant, the Group increased its processing capacity by half, while effectively lowered the overall production costs, and enhanced the Group's competitiveness as well as mitigated operating exposures under rising costs in the industry around the world.

貿易與資源運營產品（又統稱貿易產品）

貿易及資源運營業務僅是本集團核心業務的一個補充。過往主要是經營部分天然芳香品原料的集成銷售。年內，集團根據上游原料市場價格的持續高位以及客戶對非本集團生產的部分原料的需求增加，已適時地將該項業務的重點定位在對相關的策略性資源進行有效運營。相關的策略性資源主要包括脂松節油和其它特有植物精油及其副產物等。截至二零零六年十二月三十一日止年度內，本集團貿易與資源運營產品之銷售為113,100,000元人民幣，佔本集團營業額21%；毛利貢獻約為9,900,000元人民幣。該項業務作為本集團核心業務的必要輔助，於回顧年度間也為集團的銷售及盈利帶來貢獻。

在貿易及資源運營業務中，集成銷售的主要目的是體現本集團一直致力提昇銷售服務質素以鞏固客戶關係的精神，以滿足客戶對其它產品的需求，為客戶提供更全面的產品組合和增值服務，同時也是集團及「DOINGCOM」品牌在行業地位不斷提升的體現。

營運

雖則中國的宏觀經濟以及國際香精香料行業在二零零六年表現理想，然而，原材料價格高企、人民幣升值以及息率上揚等不利因素在期間對大多行業產生了負面影響。這些因素對也本集團所做業務的營運成本帶來了較大的上升壓力。惟本集團憑著在行業內紮實的根基，在經營策略上積極地採取各種有效之措施，並適時透過調整產品價格將原材料成本波動的影響降到最低。其中，通過全面創新的技術應用於廈門工廠的第二期擴建，使得本集團在期內將生產能力提昇近半的同時，有效地控制了總體的生產成本，在全球行業成本持續上升的環境中提昇了自身業務競爭力和減低了經營風險。

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Customers

Over the years, the Group has established a solid clientele around the globe, with a relatively diversified client portfolio, which includes global top ten multinational flavour and fragrance manufacturers, major household and personal care product manufacturers, natural pharmaceutical plants, pharmaceutical raw material plants and intermediate traders. Operating edges such as premium product quality and reliable supply have enabled the Group to maintain the long-term good collaborative relationship with clients. To date, the number of the Group's clients exceeded 150. Turnover generated from the Group's five largest clients increased from 25% to 31% in 2006.

To further strengthen the good relationship with existing clients, the Group also proposed reasonable solutions according to clients' needs on a timely basis, and actively sought for strategic partnerships with major multinational flavour and fragrance manufacturing enterprises. The Group will actively explore new client relationship to expand its existing product market share and launch out new products.

The Group's "DOINGCOM" brand has built up strong reputation amongst international peers.

Production

During the year under review, the Group actively utilised the Phase II expansion completed in 2005 with the upgraded advanced production facilities and innovation technologies, pushing up the production efficiency, and reached over 80% utilisation rate. The Phase III expansion commenced in the year is expected to be put into operation in the beginning of 2008, upon which the annual processing capacity of botanic essential oils will increase from currently 16,000 metric tonnes to 20,000 metric tonnes. The new Phase III can produce various new products for the Group and enrich its product mix so as to provide a better foundation for the Group's business growth during the year. Looking ahead into future business and product development, aside from the completion of Phase III construction according to schedule, the Group will also further expand its production capacity according to the medium to long term market demands on a cautious and timely basis, as well as continuously develop new technologies, to further lift up its integrated production efficiency.

Research and Development

The Group has always been putting great efforts on the research and development of new products. During the year under review, the Group focused on strengthening its own research and development team by inviting a number of professional technological research experts to join the Group which includes professionals with master degree and post-doctor, from oversea universities. The Group's research and development centre at Xiamen and its Shanghai research and development team currently employ around 45 research and development staff with expertise and extensive experience, accounting for about 18% of total headcount.

客戶

經過多年的積累，本集團已建立了一個穩固和遍佈全球各地的客戶群，客戶群的組合也較多元化，當中包括全球十大香精及香料產品跨國製造企業、大型家用和個人護理品生產商、天然藥品廠、原料藥品廠及中間商等。良好的產品質、穩定可靠的供應等經營特點使到本集團與客戶多年良好的合作關係得以成功保持和發展。截至現時為止，本集團的客戶數目已逾150家。於二零零六年，源自本集團五大客戶之營業額由25%增至31%。

進一步鞏固和發展與現有客戶之良好關係，本集團會及時按客戶的業務需求提出合理的解決方案，並且積極地發展與大型國際香精及香料企業的策略性合作夥伴關係。同時，也會積極拓展新的客戶關係以擴大現有產品的市場份額和推出新產品。

本集團品牌「DOINGCOM」在國際同行中已建立了良好的商譽。

生產

於本回顧年度，本集團積極地利用二零零五年完成的第二期擴建和生產裝置及工藝流程技術創新，使到整體生產效能得到提高，並達至80%以上的效能利用率。在年內動工的第三期擴建預計二零零八年年初投產後，將為集團提供多項新產品及新的產品組合之生產平台，也將植物精油原料年處理能力由現行的16,000公噸增至20,000公噸，從而為本集團在未來年度內的業務增長提供更好的基礎。展望未來的業務和產品發展，本集團在近期努力按計劃完成第三期工程外，將會審慎、適時地根據市場的中長期需求將生產能力進一步提升，進行新工藝新技術的開發，以進一步提高綜合的生產能力和效率。

研究及開發

本集團在新產品新技術的研發上不遺餘力，於本回顧年度，本集團一方面大力強化了自身研發團隊，繼續引進了多個專業的科研骨幹，包括多名海歸碩士與博士後。現在廈門研發中心與上海的研發隊伍共聘用近45名高技術及經驗豐富的研發人員，佔總員工人數約18%。

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On the other hand, the Group successfully initiates new research and development projects through new strategic alliances with international peers. Leveraging on the advanced facilities and underlying resources of various academic and research institutes in China, the Group further strengthened its research capability through joint research and development and acquisition of proprietary technological know-how. Such institutes include Nanjing University, Xiamen University, Shanghai University of T.C.M., South China University of Technology, Jiangnan University, Guangdong Ocean University, Chinese Academy of Sciences, Shanghai Organic Chemistry Institute and Chinese Academy of Sciences, Guangzhou Chemistry Institute.

For the year ended 31 December 2006, costs of the Group's product development, and costs of acquisition of patents and technological know-how capitalised totalled to approximately RMB15.0 million (2005: RMB4.3 million), amortisation of costs of product development, patents and technological know-how amounted to RMB4.0 million (2005: RMB2.5 million) and impairment of product development cost of RMB4.5 million (2005: nil).

Outlook

The Group is optimistic to the operating environment and prospect of the coming year.

Despite the performance of the global economy still looks uncertain, mainly clouded by factors such as high oil price and rising interest rate, we expect the economy of China, Hong Kong and other emerging countries and in particular the fine chemical industry will still maintain a strong growth momentum. In the downstream industries of fast-moving consumer goods and daily necessities, the Group's products are mainly applied as functional ingredients and key components such as flavour and fragrance products, food and beverage products, personal and household healthcare products and pharmaceutical products. These fast-moving consumer goods and daily necessities are less sensitive to cyclical economic fluctuations than other industries. Besides, demand for upstream products remains strong in light of the continued global trend of industry migration. Therefore, the Group's business still has a large room for development.

The construction of Phase III project is expected to be completed in stages. The first phase will have a brand new and advanced multifunctional production workshop completed and put into operation in the beginning of 2008. The new multifunctional workshop will be equipped with multifunctional fine chemical installation technology that are the most advanced in the world and environmental friendly. The workshop will have Multi-purpose reactor, Precision separation & extraction unit, Special purpose unit and Clean production zone. In line with Phase III project, the Group will continue to step up its efforts in market exploration, international cooperation, research and development of technologies and its integration and development with Shanghai Fine Chemicals Company Limited, so as to expand its new high value-added product series of aroma chemicals, natural extracts and intermediates.

另一方面，集團在建立與國際同行的戰略伙伴的基礎上，成功地展開新產品的研發合作。同時，本集團繼續借助中國多家學術及研究機構的先進設施及基礎資源，透過合作研發或購入專有技術等方式進一步充實了集團的研發力量，該等機構包括南京大學、廈門大學、上海中醫藥大學、華南理工大學、江南大學、廣東海洋大學及中國科學院上海有機所、中國科學院廣州化學所等。

截至二零零六年十二月三十一日止年度，本集團產品開發、收購專利權及技術知識等成本撥充資本化之金額合共約15,000,000元人民幣（二零零五年：4,300,000元人民幣），而本集團之產品開發、專利權及技術知識成本攤銷為4,000,000元人民幣（二零零五年：2,500,000元人民幣）及產品開發成本減值為4,500,000元人民幣（二零零五年：零）。

展望

本集團對於來年之經營環境及前景感到樂觀。

儘管在高油價與利率攀升的陰霾下，環球經濟仍然不甚明朗，但我們預計中國內地、香港及其他新興國家的經濟，特別是精細化工行業仍可保持強勁的增長勢頭。由於本集團產品主要應用於下游的快速消費品和生活必需品行業，作為香精香料、食品及飲料、個人護理品、家庭護理品、製藥等產品的功能成分或關鍵組分，加上這些快速消費品和生活必需品不但對週期性經濟波動的敏感度較其他行業為低，在國際產業持續轉移的趨勢下，對上游產品的需求仍然殷切，故本集團業務仍有較大的發展空間。

第三期工程預期將分階段完成。第一階段的目標將會是在二零零八年年初完工並投入使用一個全新的先進多功能生產車間。新的多功能車間引用當前國際最先進並對環境友好的精細化工多功能裝置技術，將配置多功能反應區、精密分離提取區、專用裝置技術區、潔淨生產區等功能。與第三期工程相配合，集團將會在市場開發、國際產業合作、技術研發、以及與上海萬凱化學有限公司的整合發展方面做出努力，藉此拓展包括芳香化學品、天然提取物、藥用中間體等具較高附加值的新產品系列。

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管理層討論及分析

Exclusive innovative technology and industry experience remain to be the key to strengthening the Group's core competitiveness and facilitating its partnership with leading international flavour and fragrance companies. The Group will continue to launch new product mix that caters for the market of fast-moving consumer goods and the needs of its major customers. New products are expected to bring new contribution to the profit of the Group.

Although the upward pressure of raw material costs is a reality the entire industry must face, the Group will continue to implement various proactive measures to cope with it. The Group will mainly focus on the implementation of strategies on resource management, which include strengthening the operating capacity of the resources management centre, carrying out forward integration in the supply chain management of raw material procurement, substantially increasing the control on logistics and converting raw material procurement from a cost centre to a profit centre, so as to effectively control raw material costs and capture additional profit from resource management.

In respect of operating strategies, international peers have accepted the fact of the increase in the prices of raw materials. Major clients from all over the world of the Group are beginning to accept the reality of rising product prices this year. On the other hand, the Group will innovate and improve its existing technology on an ongoing basis to control cost. Under the premise of ensuring product quality, the Group will increase its production yield and improve its production efficiency. The workflow at all levels, including the frontline departments, the research and development department and the supporting departments will be redesigned to reduce the overall operating costs. The above measures will enable the Group to maintain its leading cost advantage and further enhance its competitiveness in the international market. In addition, the Group will also effectively manage the pressure arising from the appreciation of Renminbi by strengthening its international trade management.

Through the strategic alliances with international flavour and fragrance companies, the Group timely captured the opportunity of international industry migration and successfully acquired a new site for development which will provide ample room for long-term development of the Group.

獨有的創新技術和產業化經驗仍是集團核心競爭力的保障，也使得集團繼續加強和發展與國際主要香精香料公司的夥伴關係，並針對快速消費品市場及主要客戶的需求持續地推出新的產品組合。新產品將包括應用在食品及飲料方面的重要香原料系列和天然食品配料。新產品的推出預期將會對集團營收帶來新的貢獻。

雖然原料成本上漲壓力對整個行業而言是個必需面對的現實，而本集團將會繼續採取多種積極的措施進一步加以應對。其中主要是致力於推動資源運營戰略的實施，包括：加強已成立的戰略資源管理中心的運營能力，將原料採購的供應鏈管理有效地前移，實質提升物流控制的能力，實現集團的原料採購由成本中心變為利潤中心，此舉既能有效地控制原材料成本，又能獲取資源增值的利潤。

在經營策略方面，全球同業已接受產品價格的提升、逐步消化原料價格上升之事實，本年度開始集團的全球主要大客戶已逐步接受產品提價，另一方面，本集團也針對成本控制，將對現有工藝技術不斷地進行創新和改進，在保證產品品質的前提下，提升產品得率，改善生產效率；而集團各層面工作流程的再造，包括前線部門、研發部門及支援部門，也將有助於降低整體的運營成本。以上各項將可使集團繼續保持成本領先的優勢，進一步提升集團在國際市場的競爭力。此外，集團亦會通過加強國際貿易的管理來有效地面對人民幣升值對營收所帶來的壓力。

隨著與國際香精香料戰略伙伴關係的發展，集團將及時地把握國際產業轉移的機會，已成功擁有新的產業發展儲備基地，為集團產業的長遠發展提供了充份的保證。



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管理層討論及分析

Financial Review

Turnover

Benefiting from the completion of the Group's Phase II expansion of Haicang Plant in October 2005 and the increasing demand of Group's products, the Group's turnover for the year ended 31 December 2006 amounted to RMB533.0 million, representing a rapid growth of 39%. Excluding the revenue from trading and resource management products, turnover reached RMB419.9 million, still achieving a steady growth of 37% when compared to last year. As the trading and resource management business have a lower profit margin, it has dragged down the overall gross profit margin of the Group to 31.9% from 34.7% as recorded in last year. Nevertheless, this non-core business has a certain profit contributions to the Group. Excluding the contribution from trading and resource management products, the gross profit of the Group's self-manufactured products was 38.1%, representing only a slight decrease of 2.2% from 40.3% as recorded in last year.

Analysing by the Group's products category, turnover of aroma chemicals reached RMB261.3 million, representing a year-on-year increase of 43% as compared to RMB182.7 million in 2005; turnover of natural extracts and intermediates reached RMB97.7 million and RMB60.9 million respectively, representing a year-on-year increase of 33% and 20% as compared to RMB73.6 million and RMB50.6 million respectively in 2005.

Geographically, local sales of the Group's fine chemical products surged by 40% as compared to that of 2005 whereas the overseas sales of the Group's fine chemical products increased by 36% as compared to that of 2005.

Gross Profit

During the year under review, the gross profit of the Group amounted to RMB170.0 million, representing a growth of 27%. The gross profit margin of the Group decreased from 34.7% in 2005 to 31.9% in 2006. The deterioration of the Group's gross profit margin was mainly attributable to lower profit margin of the trading and resource management business and the surging of raw materials prices. Nevertheless, the adverse effect caused by the pressure of production cost had been diminished after adopting effective measures in its operating strategy, as mentioned in the above section "Business review – operation".

財務回顧

營業額

受惠於本集團於二零零五年十月海滄工廠完成的第二期擴建，以及本集團產品需求殷切等因素，本集團於截至二零零六年十二月三十一日止年度之營業額錄得39%之快速增長，金額達533,000,000元人民幣，若撇除貿易及資源運營產品的收益部份，營業額仍較去年錄得37%之穩定增長，金額達419,900,000元人民幣。由於目前貿易及資源運營業務的的毛利較低，這項非核心的業務雖對盈利有一定貢獻但卻拖低了集團的整體毛利率，使到毛利率從去年的34.7%下降至31.9%，若撇除貿易及資源運營產品的部份，本集團自製產品的毛利率達38.1%，僅比去年的40.3%略微下降2.2個百分點。

按本集團產品類別分析，芳香化學品整體需求上升，芳香化學品之營業額較二零零五年182,700,000元人民幣增加43%，達261,300,000元人民幣；天然提取物與中間體之營業額較二零零五年分別為73,600,000元人民幣及50,600,000元人民幣增加33%及20%至97,700,000元人民幣及60,900,000元人民幣。

就地域覆蓋範圍而言，本集團精細化工產品之本地銷量較二零零五年大幅攀升40%，而本集團精細化工產品之海外銷量亦較二零零五年上升36%。

毛利

於回顧年內，本集團之毛利為170,000,000元人民幣，增幅為27%。本集團之毛利率由二零零五年34.7%下跌至二零零六年31.9%。本集團毛利率下降主要由於貿易與資源運營業務的邊際利潤較低和原材料價格持續攀升所致。惟本集團憑著在經營策略上積極地採取各種之措施（見上文「業務回顧－營運」），把備受壓力的生產成本所帶來不利的影響降至最低。

Management Discussion and Analysis

管理層討論及分析

Financial Review (continued)

Gross Profit (continued)

Analysing by the Group's products category, the gross profit margin of aroma chemicals and natural pharmaceutical extracts remained steady at approximately 32% and 36% respectively in both years. The decrease of profit margin of intermediates from 76% in 2005 to 68% in 2006 was mainly attributable to the change of product mix in this category, within which the gross profit margin of individual products varied broadly from 55% to 95%. The gross profit margin of trading and resource management was decreased from 12% in 2005 to 9% in 2006. Despite the lower gross profit margin and relatively higher operating costs, the trading and resource management business facilitated the diversification of the Group's product mix, without utilizing the Group's existing production capacity and reinforce the Group's leading position in the natural fine chemicals industry in the PRC.

Operating Income and Expense

Other revenues include the interest income from bank deposits and the amortisation of deferred income on government grants. The increase of RMB3.0 million in other revenue was mainly due to the increase of the bank interest income during the year under review.

The increase of RMB3.9 million in selling and marketing expense was mainly due to the increase of transportation cost and packaging expenses for those increased export sales in the year under review. Selling and marketing expenses as a percentage of sales decreased from 4.8% to 4.2%.

The increase of RMB9.5 million in administrative expenses was mainly due to the increase of employment cost and discretionary management bonus by RMB5.3 million and the increase of impairment of product development cost by RMB4.5 million in the year under review. Administrative expenses for 2006 represented 7.8% of turnover (2005: 8.4%).

The finance expenses recorded RMB0.22 million decrease when compared to last year, mainly due to the decrease of interest expense on convertible bonds which was fully repaid in 2005.

Income tax expense

Income tax expense of the Group for the year ended 31 December 2006 was RMB9.0 million, representing an increase of 30% as compared with RMB6.9 million in last year. The effective income tax rate was 8.6% (2005: 8.9%).

Profit for the year

Profit for the year ended 31 December 2006 was RMB95.4 million representing an increase of 34% as compared with RMB71.1 million last year. The net profit ratio of the Group decreased from 18.5% in last year to 17.9% in this year. If excluding the trading and resource management segment, the net profit ratio of the Group was 22.1% (2005: 22.6%).

財務回顧 (續)

毛利 (續)

按本集團產品類別分析，芳香化學品及天然藥物原料之毛利率在兩年間分別維持於約32%及36%之平穩水平。中間體毛利率由二零零五年76%下降至二零零六年68%，這一類別內，個別產品毛利率差異甚大（由55%至95%），由於這類別產品組合之改變，致使綜合年率有較大變化。貿易及資源運營業務之毛利率由二零零五年12%下調至二零零六年9%。儘管毛利率偏低，而經營成本則較高，新買賣業務在毋須動用本集團現有產能之情況下，讓本集團豐富產品組合，且鞏固本集團作為中國天然精細化工業翹楚之地位。

經營收入及開支

其他收入包括銀行存款利息收入及政府津貼遞延收入攤銷。其他收入增加3,000,000元人民幣乃受到在回顧年內銀行利息收入增加帶動。

銷售及分銷開支增加3,900,000元人民幣乃主要由於回顧年內出口銷售增加，導致運輸成本及包裝開支上漲所致。銷售及分銷開支佔銷售百分比由4.8%下調人至4.2%。

行政開支增加9,500,000元人民幣，乃因本集團於回顧年度內員工成本及酌情管理花紅共增加5,300,000元人民幣及產品開發成本減值4,500,000元人民幣。二零零六年行政開支佔營業額7.8%（二零零五年：8.4%）。

融資費用較去年減少220,000元人民幣，主要由於可換股債券於二零零五年悉數償還，導致利息開支減少所致。

所得稅開支

本集團的所得稅開支截至在二零零六年十二月三十一日止的年度為9,000,000元人民幣，較上年度的6,900,000元人民幣增加30%。實際所得稅率則約為8.6%（二零零五年：8.9%）。

年內溢利

年內溢利在截至二零零六年十二月三十一日止的年度為95,400,000元人民幣，較二零零五年的71,100,000元人民幣增長34%。而本集團的淨利潤率則由上一年度的18.5%下調至本年度的17.9%。若撇除貿易及資源運營業務，本集團之淨利潤率為22.1%（二零零五年：22.6%）。

Management Discussion and Analysis

管理層討論及分析

Liquidity, Financial Resources and Capital Structure

During the year under review, the Group's primary source of funding mainly involved the cash generated from operating activities. With the financial resources obtained from the Group's operations, the Group had utilized RMB62.0 million (2005: RMB74.9 million) in the capital expenditure and paid dividend of RMB9.5 million (2005: 11.5 million) during the year. As at 31 December 2006, the Group had cash and bank deposits of approximately RMB360.6 million (2005: RMB261.0 million).

The Group's financial position remains very solid and healthy during the year under review. As at 31 December 2006, the net current assets and the current ratio of the Group were approximately RMB290.2 million (2005: RMB237.8 million) and 2.2 (2005: 2.2), respectively.

As at 31 December 2006, the Group had bank borrowings of approximately RMB101.0 million (2005: RMB86.7 million), government loans from State Development and Reform Commission, Xiamen Development Planning Commission and other Mainland China government bureaus to finance the Group's product development activities and expansion of production facilities of approximately RMB33.9 million (2005: RMB34.2 million). As at 31 December 2006, the Group's gearing ratio which is represented by the ratio of total borrowings to total shareholders' equity, was approximately 25% (2005: 28%) and the Group's net cash balance, being cash and cash equivalents plus pledged bank deposits less borrowings amounted to RMB225.8 million (2005: 138.2 million).

With the positive cash inflow from the Group's operations, its available banking facilities and its existing cash resources, the Group has very strong liquidity and sufficient financial resources to meet its commitments, working capital requirements and future investments for expansion.

Charges on assets

As at 31 December 2006, bank deposit of RMB47.6 million (2005: nil), certain property, plant and equipment of the Group with an aggregate net book value of about RMB92.1 million (2005: RMB32.2 million) and land use rights of RMB4.8 million (2005: RMB3 million) were pledged to secure the Group's bank borrowings.

Contingent Liabilities

As at 31 December 2006, neither the Group nor the Company had any significant contingent liabilities.

流動資金、財務資源及資本結構

於回顧年內，本集團之基本資金來源主要來自經營業務所得現金。憑藉本集團營運所得財務資源，本集團斥資62,000,000元人民幣（二零零五年：74,900,000元人民幣）於資本支出上，並派付股息9,500,000元人民幣（二零零五年：11,500,000元人民幣）。於二零零六年十二月三十一日，本集團之現金及銀行存款約有360,600,000元人民幣（二零零五年：261,000,000元人民幣）。

本集團於回顧年內之財務狀況仍然保持相當穩健。於二零零六年十二月三十一日，本集團之流動資產淨值及流動比率分別約為290,200,000元人民幣（二零零五年：237,800,000元人民幣）及2.2（二零零五年：2.2）。

於二零零六年十二月三十一日，本集團有銀行借貸約101,000,000元人民幣（二零零五年：86,700,000元人民幣），源自國家發展及改革委員會、廈門發展計劃委員會及其他中國政府機關為數約33,900,000元人民幣（二零零五年：34,200,000元人民幣）政府貸款用以撥付本集團產品開發及擴充生產設備所需。於二零零六年十二月三十一日，本集團之資產負債比率（即借貸總額對股東資金總額之比率）約為25%（二零零五年：28%），而本集團之現金結餘淨額（即現金及等同現金項目加已抵押銀行存款減借貸）則為225,800,000元人民幣（二零零五年：138,200,000元人民幣）。

憑藉經營業務所得正數現金流量、備用銀行融資及現有現金資源，本集團具備充裕流動資金及充足財務資源，應付其承擔、營運資金需求及日後擴展投資。

資產抵押

於二零零六年十二月三十一日，銀行存款47,600,000元人民幣（二零零五年：零）以及本集團帳面淨值總額約92,100,000元人民幣（二零零五年：32,200,000元人民幣）之若干物業、廠房及設備以及4,800,000元人民幣（二零零五年：3,000,000元人民幣）之土地使用權已抵押，作為本集團銀行借貸之抵押品。

或然負債

於二零零六年十二月三十一日，本集團或本公司概無任何重大之或然負債。

Management Discussion and Analysis 管理層討論及分析

Capital Commitment

As at 31 December 2006, the Group had capital commitments of approximately RMB108.8 million (2005: RMB73.0 million) in respect of purchases of property, plant and equipment, construction-in-progress, product development projects and land use rights.

Treasury Policies and Exposure to Fluctuations in Exchange Rates

The Group's assets, liabilities, revenues and transactions are mainly denominated in Renminbi, United States dollars and Hong Kong dollars with its operation mainly in the PRC. As at 31 December 2006, the Group's borrowings of approximately RMB119.8 million were denominated in Renminbi. The Group's cash and bank deposits (comprise cash and cash equivalents and pledged bank deposits) denominated in Renminbi amounted to RMB326.5 million of the total balance, with the remaining balance denominated in Hong Kong dollars and United States dollars.

The Group's foremost exposure to the foreign exchange fluctuations was caused by the revaluation of Renminbi during the year under review. The Group's export sales are, in majority, denominated in United States dollars. Nevertheless, 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. The Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

Employees and Remuneration Policy

As at 31 December 2006, the Group has 254 full-time employees of which 248 are based in the PRC. For the year under review, the total employment costs incurred for 2006 including directors' emolument amounted to RMB22.4 million. The Group has established its human resources policies and procedures with a view to deploy the incentives and rewards of the remuneration system. The remuneration package offered to the staff is appropriate for the duties and in line with the prevailing market terms. Staff benefits, including medical coverage and provident funds, are provided to employees. The Group has also established effective performance evaluation system in which employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

The Group has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. During the year under review, 21.4 million share options were granted to directors, employees and consultants.

資本承擔

於二零零六年十二月三十一日，本集團就購買物業、廠房及設備、在建工程、產品開發項目及土地使用權約有108,800,000元人民幣（二零零五年：73,000,000元人民幣）之資本承擔。

庫務政策及匯率波動風險

本集團之資產、負債、收入及交易主要以人民幣、美元及港元結算，而其業務主要於中國進行。於二零零六年十二月三十一日，本集團約119,900,000元人民幣之貸款乃以人民幣結算。本集團之現金及等同現金項目中（包括手頭現金、銀行結餘以及由借貸日起計三個月到期之定期存款），合共326,500,000元人民幣乃以人民幣結算，餘額則以港元及美元結算。

本集團所承擔之外匯波動風險乃因回顧年內重估人民幣所致。本集團之出口銷售主要以美元結算。儘管如此，本集團於年內並無因外幣匯率波動而於營運或資金流動狀況方面遇上任何重大困難或對其造成任何影響。此外，本集團將定期檢討其須承受之外匯風險，並於其認為適用之情況下採用金融工具作對沖用途。

僱員及酬金政策

於二零零六年十二月三十一日，本集團有254名全職僱員，其中248名僱員派駐中國。於回顧年內，二零零六年之僱員成本總額包括董事酬金22,400,000元人民幣。本集團制定其人力資源政策及程序，於其薪酬制度中加入花紅及獎勵。向員工發放之酬金待遇乃根據其職責而釐訂，且切合當時市場水平。員工福利包括醫療保險及退休金。本集團亦設立一套有效表現評估制度，據此，本集團根據僱員薪金及花紅制度一般結構，按僱員表現發放獎勵。

本集團亦已採納購股權計劃，以獎勵及獎賞曾對本集團成功經營作出貢獻之合資格參與人士。於回顧年內，本集團並已向其董事、僱員及顧問授出合共21,400,000份購股權。