

## Chairman's Statement 主席報告

### OPERATION RESULT

During Year 2003, the world economy has generally improved and consumer confidence has been restored. In particular, US retail sales reached a new record and large discount stores achieved satisfactory growth. Consequently, we have benefited from the robust turnaround in global economy.

For the financial year ended 31st December 2003, the Group's consolidated turnover (including rental income from 410 Kwun Tong Road) was HK\$805 million compared with HK\$561 million in the previous year, representing an increase of 43.5% in turnover.

Sales of electrical appliances increased 42.5% compared with that of the previous year. We have achieved this growth because we have added 150,000 square feet of production facilities in 2003, mainly for increased toaster oven production. During 2003, our electrical appliance division has also benefited from increased outsourcing from existing and new customers, especially from Japan and Europe. The company continues to innovate by vertical integration and having our R&D team designing new products. With our innovation effort, we are pleased to announce that we are adding two new product categories, namely dehumidifier and air freshener to our product mix, which has seen successful new product launch during the first quarter of 2004. With these two new product categories, we hope to minimize the seasonal effect of our product mix and utilize our production capacity more fully during the first half of the year.

Cheung Fung cigarette paper division continues to show promising progress. During 2003, the two jointly controlled entities of the Group raised money through project financing to install new production lines (PM3 and PM4) to manufacture porous wrap paper and tipping paper respectively. The new PM3 production facility has been in operation since January, 2004. With an annual domestic demand of 30,000 tonnes of porous wrap paper in China, we expect the PM3 line to generate higher sales revenue for the Group in 2004. PM4 line has also successfully produced tipping paper in February, 2004 during its pilot run and will make contribution during the second quarter of 2004. We also have plans to diversify our paper product lines to include non-tobacco specialty paper

### 業績概要

二零零三年，世界經濟普遍增長，消費者信心恢復。美國市場銷售額創新記錄，特別是大型倉儲式零售商的銷售。因此，我們也在全球經濟的急劇好轉中獲益。

截止二零零三年十二月三十一日財政年度，本集團綜合營業額（包括官塘道410號的租金收入）為港幣八億零五萬元，與上年度的港幣五億六千一百萬元相比，增長了百分之四十三點五。

家電銷售額與上年度相比增加了百分之四十二點五。這個增長率的實現主要是因為我們於二零零三年增加了十五萬平方英尺主要用於生產多士爐的生產工廠。在二零零三年期間，家電亦獲益於現有客戶和新增客戶外購量的增加，尤其是日本和歐洲。公司通過縱向整合不斷革新，我們的R&D隊伍設計出更多新產品。為此，我們增加了兩種新產品範疇，抽濕機和新型香薰機，並且於二零零四年第一季度成功地投產了新產品。隨著增加這兩類新產品，我們希望能減少年度上半年的季節性影響並且充分利用我們的生產設施。

祥豐煙紙業繼續呈現良好的發展態勢。二零零三年度，本集團之兩個共同控制實體通過項目融資的方式籌集資金安裝了新的生產線PM3和PM4分別生產高透氣度嘴棒成形紙煙紙和水松原紙。PM3線已於二零零四年一月投產。國內多孔卷煙紙的年需求量達三萬噸之多，預計PM3生產線的投運會使集團二零零四年的銷售有更大的增幅。PM4生產線也於二零零四年二月成功試產出水松原紙，並且預期於二零零四年第二季度開始為集團作貢獻。我們計劃稍後用PM3/PM4生產線生產其他特殊用途的紙產品，包括非煙草專用紙。雖然



## Chairman's Statement 主席報告

using our PM3/PM4 production lines later in 2004. We believe Cheung Fung's business would continue to be profitable in 2004 despite the high initial start-up expenses of the new lines.

Despite the unfortunate event of SARS in May 2003, the Group was able to lease out all the office spaces of 410 Kwun Tong Road by August 2003. As Hong Kong economy continues to improve, we do not anticipate any tenants drop out in 2004. We are happy to announce that the remaining retail space located at basement of the building has been leased out during the first quarter of 2004 and the building is now fully let. In accordance with a professional surveyor's valuation, 410 Kwun Tong Road is estimated to be worth HK\$300 million in fair market value. The building costs including premium paid to Government for lease modifications amounted to approximately HK\$160 million.

The Group's net profit during the same period increased by 92.6%. For the year under review, despite an increase in our turnover of over 40%, the Group's general and administrative expenses have decreased 5.8% to HK\$61 million compared with HK\$64 million in the previous year. As a result, we are pleased to announce that our net profit was HK\$84 million, representing profit per share of 25.8 cents (After restated for SSAP12 Deferred tax, our net profit in 2002 was HK\$44 million, with profit per share of 13.86 cents).

### DIVIDEND

The Board of Directors recommends the payment of a final dividend of 10 cents per share, making a total payout of 14 cents per share for 2003. (2002 – total of 9 cents per share). The total amount of dividend appropriated, based on the number of shares in issue, is HK\$50,260,861 (2002 – HK\$28,287,072).

The Register of Members of the Company will be closed from 31st May 2004 to 4th June 2004 (both days inclusive), during which period no transfer will be effected. In order to qualify for the above-mentioned final dividend, all transfers accompanied by the relevant shares certificates must be lodged by 4:00 p.m. on 28th May 2004 with the Company's Registrars, Computershare Hong Kong Investor Services

新生產線的開研費用支出較高，但我們相信祥豐會於二零零四年繼續有盈利。

儘管二零零三年五月份發生非典的不幸事件，官塘道410號的辦公室單位仍於二零零三年八月份全部租出。隨著香港經濟的不斷好轉，我們預計二零零四年的出租率不會下降。大廈地下室餘下的零售單位已於二零零四年第一季度租出，至此，整座大廈已全部租出。依據專業評估師的評估，官塘道410號按合理市價評估，約價值港幣三億元。實際建築成本，包括向政府修改土地用途補價在內共約港幣一億六千萬。

本集團同期純利上升百分之九十二點六。儘管本年度的營業額增幅高達百分之四十，但是集團在本年度的總務及行政費用為港幣六千一百萬元，與上一年度港幣六千四百萬元比較，降低了百分之五點八。集團本年度的綜合純利達到港幣八千四百萬元，每股獲利二十五點八港仙（採納香港會計師公會頒佈之會計準則第12號，重列之二零零二年度本集團純利為港幣四千四百萬元，每股獲利十三點八六港仙）。

### 股息

董事局建議末期股息為每股港幣十仙，二零零三年度總股息為每股港幣十四仙。（二零零二年總股息每股港幣九仙）。根據發行的股票數量，本年度股息總額為港幣五千零二十六萬零八百六十一元。（二零零二年為港幣二千八百二十八萬七千零七十二元）。

本公司將於二零零四年五月三十一日至二零零四年六月四日（包括首尾兩天）暫停辦理登記過戶手續。如欲收取末期股息，所有過戶文件連同有關股票須不遲於二零零四年五月二十八日下午四點前送抵過戶處，香港中央證券登記有限公司地址香港皇后大道東183號合和中心17樓1712-1716室。末期



## Chairman's Statement 主席報告

Limited, at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. The final dividend is payable on 18th June 2004 to members on the register of member on 4th June 2004.

### FINANCIAL POSITION

The liquidity position of the Group remains sound. Its current ratio was 1.07 as of 31st December 2003, against 0.7 as of 31st December 2002.

During the year, the Group's Accounts Receivables turnover stood at 74 days in year 2003, compared with 58 days of the previous year. The inventory turnover increased from 82 days in year 2002 to 85 days in year 2003.

Bank balances and cash were HK\$180 million as of 31st December 2003, representing an increase of HK\$62 million over that of the previous year. The change was mainly due to cash raised from share placement.

Total bank borrowings amounted to HK\$426 million as of 31st December 2003, representing an increase of HK\$27 million over that of the previous year. The change was mainly due to increased borrowings at Cheung Fung for business expansion.

The Group's debt-asset ratio decreased to 38% as of 31st December 2003, compared to 45% as of 31st December 2002.

### FUTURE PROSPECTS

The core business of the Group remains to be small household appliances manufacturing. The Group has enjoyed double digit growth in sales over the last three years and we believe this trend will continue in the coming year.

In 2004 we will continue to focus on developing new products that require higher degree of automation/vertical integration, and new products with patented technology to command higher premium/better selling prices and margins. We will look at new ways to form strategic partnership with our customers. We will continue to execute effective supply chain

股息將於二零零四年六月十八日派發予於二零零四年六月四日登記在名冊上之股東。

### 財政狀況

集團的資金流動保持理想。截止二零零三年十二月三十一日，資金流動率為一點零七，二零零二年十二月三十一日則為零點七。

集團二零零三年度的應收帳款周轉期為七十四天，上一年度為五十八天。庫存周轉期從二零零二年的八十二天上升為二零零三年的八十五天。

截止二零零三年十二月三十一日，銀行餘額及現金為港幣一億八千萬元，比上年度增加了港幣六千二百萬元，主要因為配售股票的現金增加。

截止二零零三年十二月三十一日，銀行借款總額為港幣四億二千六百萬元，比上年度增加了港幣二千七百萬元，主要因為擴大祥豐業務的借款。

截止二零零三年十二月三十一日，本集團負債與資產比率降低至百分之三十八，上年度為百分之四十五。

### 前景

集團的主要業務仍為小家電生產。在過去的三年中，集團的銷售額有雙位數的增長，我們相信這種趨勢在來年還會繼續。

二零零四年，我們將繼續致力於開發自動化程度及垂直整合程度更高的新產品，以及新的專利技術產品以獲取更高的利潤及更好的銷售價格。我們將尋求新的途徑與客戶建立戰略合作關係。我們將繼續實行有效的供應鏈管理體系以及有效



## Chairman's Statement 主席報告

management and effective SG&A expenses control contributing to sustained favorable profit growth. We will pursue a more aggressive expansion plan to enlarge our market share globally and to maintain high utilization rates in a competitive environment. And we have begun to engage in high-tech joint-venture projects with HKUST and other universities. At our Nansha factory site, we will complete another 250,000 square feet of new production facilities by July 2004. With this new production capacity, we expect our turnover for small household appliances to again post double digit growth in 2004.

On the property rental side, we expect rental income from 410 Kwun Tong Road to be approximately HK\$14 million on an annual basis, adding substantially to the Group's total net income for 2004.

Regarding the cigarette paper business, we have successfully completed the product range (A-1 paper, high porous plug wrap paper and tipping paper), and we plan to adopt a ONE-STOP SHOP STRATEGY to dominate Chinese domestic cigarette paper market by bundling different types of cigarette paper products. At the same time, we hope to form a strategic partnership with international cigarette paper partners to capture more market share worldwide – this is our EXPORT STRATEGY. After we reach our desired turnover target, we will look at diversifying our product mix in other non-tobacco specialty paper products, and study seriously the spin-off opportunity to list the cigarette paper business separately.

### STAFF

The Group (including Cheung Fung) currently employs approximately 75 Hong Kong staffs and operates a defined contribution pension scheme. Our Nansha, Guangdong factory (small appliance division) in China employs about 300 staff and factory workers employed directly varied from 4,000 to 6,000 persons during the year. Our Chengdu, Sichuan factory (cigarette paper division) in China on the other hand employs about 780 staff and factory workers during the year.

On behalf of the Board, I would like to extend the Board's appreciation to all our staff for their hard work and dedication throughout the year.

的SG&A控制，以實現穩定的利潤增長。我們將實施積極的擴大計劃以佔領更大的全球市場份額並且在競爭環境中保持高利用率。我們已經開始與香港科技大學及其他大學發展高科技合作項目。二零零四年七月，新二十五萬平方英尺廠房將於南沙落成。期望我們二零零四年的營業額會再次有雙位數的增長。

在物業租售方面，預計官塘道410號的全年租金可達港幣一千四百萬元，增加本集團二零零四的純收入。

關於卷煙紙的生產業務，我們已經成功地定位了產品範圍（A-1煙紙，高透氣度嘴棒成形紙，以及水松原紙），我們計劃實施一站式方針，通過集中不同類型的煙紙產品，加大國內煙紙市場佔有率。同時，我們將與國際煙紙商形成戰略伙伴關係以佔有更多的國際市場份額，這是我們的出口戰略。達到我們預計的營業目標後，我們會進一步使煙紙產品品種多樣化。

### 職員

本集團（包括祥豐）現有香港職員約七十五人，並提供一項退休金計劃。中國南沙廠今年約有職員三百人，直接僱用的工人在四千到六千人之間變化。中國四川成都的煙紙生產廠今年共有職員及工人約七百八十人。

本人謹代表董事會對所有員工在過去一年勤奮及作出之貢獻表示謝意。



## Chairman's Statement 主席報告

### **PURCHASE, SALE OR REDEMPTION OF OUR SHARES**

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

By Order of the Board  
**Wilson Wong Kin Lae**  
*Chairman*

Hong Kong, 19th April 2004

### **購買、出售或贖回本公司股份**

於本年度，本公司或其任何附屬公司概無購買、出售或贖回任何本公司之股份。

承董事會命  
主席  
**黃乾利**

香港，二零零四年四月十九日