



Chairman's Statement 主席報告

OPERATION RESULT

In 2004, the Group achieved record turnover. However, both electrical appliances business and cigarette paper business suffered a decline in gross profit margin because of continued escalating commodity prices. Nevertheless, the Group was able to offset most of the reduction in margin by increase in productivity, better waste management and tighter overhead control. The cigarette paper business has also suffered operating losses from the new paper machines (PM3 and PM4) because of a delay in ramping up to full production. Despite the reduction in profit from the core businesses and the initial losses from the new paper machines, we benefited from a rebounding Hong Kong real estate market and our investment properties has appreciated in value substantially.

For the financial year ended 31st December 2004, the Group's consolidated turnover was HK\$1,069 million compared with HK\$805 million in the previous year, representing an increase of 32.8% in turnover.

Sales of electrical appliances/consumer and environment products increased 41.3% compared with that of the previous year. In 2004, our Group successfully diversified into consumer products verses our traditional personal care and small kitchen appliances. The most successful products launched in 2004 were a new dehumidifier that does not require the use of a compressor and an air freshener. The Group would continue our emphasis, together with potential customers to design innovative new products. We are happy to announce that several such products would be launched in 2005.

Cheung Fung cigarette paper division suffered operating losses from higher financial charges and the delay of production ramp up of the new PM3 and PM4 machines. However, during 2004, the paper division has made a progress in manufacturing porous plug wrap paper and tea bag paper from the PM3 machines and converting PM4 machines to manufacture both cigarette paper and tipping paper. We have obtained FDA approval for tea bag paper and have received orders from Taiwanese and Sri Lankan tea bag manufacturers. We believe our cigarette paper business would make a turnaround in 2005.

業績概要

於二零零四年，本集團之營業額創新記錄。但是由於受到物料價格上升影響，家電及卷煙紙業務的毛利率均較以往為低。然而，本集團仍能以增加生產效率、改善廢料處理及控制營運開支以抵銷毛利率下降。卷煙紙業務亦由於新卷煙紙機 (PM3及PM4) 未能完成調試而遭受營運損失。儘管核心業務的利潤減少及新卷煙紙機的前期損失，我們仍受惠於香港地產市場復甦，我們的投資物業因而大幅升值。

截至二零零四年十二月三十一日止財政年度，本集團之綜合營業額為港幣十億六千九百萬元，與上年度的港幣八億五百萬元相比，增長了百分之三十二點八。

家電／消費品及環境系列產品銷售額與上年度比較增加了百分之四十一點三。於二零零四年，本集團成功從傳統個人護理及小型廚房產品轉為多元化至消費產品。在二零零四年開發的新產品中以一款不需要使用壓縮器的抽濕機及一款新型香薰機最為成功。本集團將繼續重點聯同潛在客戶設計新穎產品。我們欣然宣佈多款新產品將於二零零五年推出。

祥豐煙紙業務因高昂的財政費用及PM3及PM4生產線未能完成調試而遭受營運損失，然而，於二零零四年PM3機在生產高透氣度嘴棒成型紙和茶包紙及PM4機在轉為生產水松原紙和卷煙紙上都有良好的進展。我們生產的茶包紙已獲得FDA認可及接獲台灣和斯里蘭卡茶包生產商的訂單。我們相信卷煙紙業務將於二零零五年會有所轉變。

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The Group was able to maintain full occupancy of our investment properties located at 410 Kwun Tong Road in 2004. As Hong Kong real estate market has improved, we do not anticipate any tenants drop out in 2005 and expect our rental income to increase as some leases are up for renewal in 2005. We are happy to announce that the investment properties have a net gain from fair value adjustment of HK\$77 million according to a valuation of HK\$377 million provided by an independent professional valuer.

The Group's net profit for 2004 increased 47.2% to HK\$123.4 million, representing profit per share of 33.38 cents (net profit for 2003 was HK\$83.9 million with profit per share of 25.80 cents). For the year under review, the Group's general and administrative expenses have increased 23.6% to HK\$74.8 million compared with HK\$60.5 million in the previous year. Part of the increase was due to additional expenses related to R&D activities specially on higher margin consumer and indoor environment improvement products, and partly as a result of bonus paid to staff to celebrate our 40th anniversary. To enforce our social responsibility, a donation of HK\$3.5 million was also made to Hong Kong institutions in 2004.

DIVIDEND

The Board of Directors is recommending the payment of a final dividend of 11 cents per share, making a total payout of 16 cents per share for 2004 (2003: total payout of 14 cents per share). The total amount of dividend appropriated, based on the number of shares in issue, is HK\$59.3 million (2003: HK\$50.3 million).

The book of transfers and register of member will be closed from 17th May 2005 to 20th May 2005, both days inclusive during which period no transfer of shares will be registered. In order to qualify for the final dividend, lodging of all transfers accompanied by the relevant share certificates must not be later than 4:00 p.m. on 13th May 2005 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The final dividend is payable on 14th June 2005 to members on register on 20th May 2005.

本集團位於觀塘道410號的投資物業於二零零四年全部租出。由於香港地產市場復甦，我們預期於二零零五年的出租率將不會下降及預期我們的租金收入亦因部份租約將於二零零五年續租而上升。根據獨立專業估值師對投資物業之作出的港幣三億七千七百萬元之估值，我們欣然宣佈投資物業獲得港幣七千七百萬元之估值調整收益。

本集團於二零零四年之盈利上升了百分之四十七點二至港幣一億二千三百四十萬元，每股盈利為港幣三十三點三八仙（二零零三年之盈利為港幣八千三百九十萬元，每股盈利為港幣二十五點八仙）。本集團在年內的行政費用為港幣七千四百八十萬元，與上年度之港幣六千五百萬元比較，上升了百分之二十三點六。部份費用增加乃由於用於高毛利率消費及改善室內環境產品的額外科研費用及為慶祝本公司四十週年所發放予職員的獎金。為加強我們的社會責任，我們於二零零四年作出了港幣三百五十萬元之捐款予香港學府。

股息

董事會建議派發末期股息為每股港幣十一仙，二零零四年度總股息為每股港幣十六仙（二零零三年：總股息為每股港幣十四仙）。根據發行的股票數量，本年度股息總額為港幣五千九百三十萬元（二零零三年：港幣五千零三十萬元）。

本公司將於二零零五年五月十七日至二零零五年五月二十日（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於二零零五年五月十三日下午四時正前送抵本公司之過戶處—香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心46樓。末期股息將於二零零五年六月十四日派發予於二零零五年五月二十日登記在名冊上之股東。



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FINANCIAL POSITION

The liquidity position of the Group remains sound. Its current ratio was 1.01 as of 31st December 2004, against 1.07 as of 31st December 2003. Bank balances and cash were HK\$178.5 million as of 31st December 2004 which was comparable with the balance of HK\$180.1 million as of 31st December 2003.

During the year, the Group's accounts receivable turnover day reduced to 67 days from 74 days in the previous year. The inventory turnover day decreased from 85 days in year 2003 to 70 days in year 2004.

Total bank borrowings amounted to HK\$403 million as of 31st December 2004, representing a decrease of HK\$23 million over that of the previous year.

The Group's debt-asset ratio decreased to 26% as of 31st December 2004, compared to 30% as of 31st December 2003.

CHARGES ON ASSETS

As at 31st December 2004, certain assets of the Group with an aggregate carrying value of HK\$669 million (2003: HK\$619 million) were pledged to secure loan and borrowing facilities utilized by the Group.

FUTURE PROSPECTS

The core business of the Group remains focusing on small appliances/consumer and environment products manufacturing. The Group has enjoyed high double digit growth in sales over the last three years and we expect a lower rate of sales growth in 2005 because we want to maintain our gross profit margin and may opt to exit from old, low margin products as a result of escalating commodity prices. Our expansion in production capacity started from 2002 would be completed by July 2005. Together with new products being introduced in 2005/2006, the Board is confident that the high double digit growth experienced in 2002/2004 would pick up again in 2006.

財政狀況

本集團的資金流動表現仍保持理想。於二零零四年十二月三十一日，本集團之資金流動比率為一點零一，於二零零三年十二月三十一日則為一點零七。於二零零四年十二月三十一日，銀行結餘及現金為港幣一億七千八百五十萬元，與於二零零三年十二月三十一日的港幣一億八千零一十萬元之結餘相近。

於二零零四年度，本集團的應收帳項周轉期為六十七天，去年度為七十四天。存貨周轉期從二零零三年的八十五天下降至二零零四年的七十天。

於二零零四年十二月三十一日，銀行貸款總額為港幣四億零三百萬元，較去年度減少港幣二千三百萬元。

於二零零四年十二月三十一日，本集團之負債與資產比率從去年的百分之三十降低至本年度的百分之二十六。

資產抵押

於二零零四年十二月三十一日，本集團總面值港幣六億六千九百萬元（二零零三年：港幣六億一千九百萬元）之若干資產已予抵押，以便本集團取得信貸安排。

前景

本集團的主要業務仍集中於小家電／消費及環境系列產品生產。在過去三年中，本集團之銷售額錄得高雙位數的增長，由於我們希望維持我們的毛利率水平及可能選擇暫停生產因物料漲價而毛利率下降的舊款產品，我們預期二零零五年之銷售增長將會較低。我們於二零零二年開始提升的產能將於二零零五年七月完成，董事會深信藉着二零零五／二零零六年推出的新產品，我們於二零零二年至二零零四年的高雙位數增長將會於二零零六年再次出現。

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In 2005, we will continue to focus on developing new environmental products in consumer and residential/commercial markets, and new products with patented technology to command higher premium/better selling prices & margins. We will look at new ways to form strategic partnership with our customers. We will continue to execute effective supply chain management and effective SG&A control contributing to sustained favorable profit growth. With sufficient production capacity and strong management in place, we are going to pursue aggressive sales efforts to enlarge market share globally and to maintain high capacity utilization rate. We will continue to engage in high-tech joint-venture projects with local and overseas institutions. At our Nansha factory site, we have completed construction of 250,000 square feet of new production facilities in winter of 2004. Installation of new equipment are continuing and we expect to fully utilize this extra capacity by early 2006.

On the property rental side, we expect rental income from 410 Kwun Tong Road to be approximately HK\$17 million for the full year, adding to the Group's total income for 2005.

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 have our tea bag paper qualified for FDA approval as well as received orders from several tea bag manufacturers in Sri Lanka. At the same time, we are optimistic that we can form a strategic partnership with international cigarette paper partners to capture more market share worldwide in the near future.

STAFF

The Group currently employs approximately 70 Hong Kong staffs and operates a defined contribution pension scheme. Our factory in China employs about 300 staffs, and workers employed directly or indirectly varied from 5,000 to 6,500 persons during the year. Remuneration is determined by reference to the qualifications, experience and performance of the staff.

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.

於二零零五年，我們將繼續致力於開發用於消費及家居／商業的新款環境系列產品，以及具有專利技術的新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策略性的合作關係。我們將繼續實行有效的供應鏈管理體系以及有效的銷售及行政費用控制，以實現穩定的利潤增長。憑著充足的產能及完善的管理系統，我們將實施積極的市場推廣策略，以擴大我們在全球市場的市場佔有率，並保持高產能使用率。我們亦會繼續與本地及海外學府發展高科技的合作項目。於二零零四年冬季，我們的南沙廠房加建了二十五萬平方英尺的生產設施。新機器的裝配將繼續進行，我們預期可於二零零六年初充份使用這些新加產能。

在物業租賃方面，我們預期觀塘道410號的全年租金收入可達港幣一千七百萬元，將會對本集團二零零五年的總收入作出一定的貢獻。

關於卷煙紙業務，我們已經成功地確定了產品範圍（A-1煙紙、高透氣度嘴棒成型紙及水松原紙），而且我們生產的茶包紙已獲得FDA認可及接獲斯里蘭卡茶包生產商的訂單。同時，我們對與國際煙紙商將訂立的策略性伙伴關係的項目感到樂觀，並會在不久的將來佔有更高的國際市場佔有率。

職員

本集團現僱用香港職員約七十人，並為其提供界定供款退休計劃。我們在國內開設的廠房於年內僱用職員約三百人，直接或間接僱用的工人約五千至六千五百人。薪酬乃根據職員之學歷、經驗及工作表現釐訂。

本人謹代表董事會對所有職員在過去一年內的勤奮及所作出之貢獻深表謝意。



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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
Wong, Wilson Kin Lae
Chairman

Hong Kong, 20th April 2005

購買、出售或贖回本公司股份

於年內，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，二零零五年四月二十日