

BUSINESS REVIEW AND OUTLOOK

Business Review

We are pleased to report that the Group has achieved improvements in both turnover and net profit for 2002, during which the markets experienced many challenges and economic uncertainties.

The Group's turnover for the year increased by 15% to HK\$1.91 billion against HK\$1.66 billion in 2001. The net profit after tax attributable to shareholders also improved to HK\$21 million against a restated loss of HK\$220 million for the preceding year.

The achievement was mainly driven by successful market penetration of our well-known brands in China, improvement in the packaging business, and improved contribution from the distribution business.

During 2002, the Group completed the privatisation of its subsidiary, Lam Soon Food Industries Limited ("LSF") for a sum of HK\$130 million, and acquired 100% ownership of Jiangsu Lam Soon Flour Mills Company Limited. The finance for these projects was from the Group's normal operating cashflow and the Group's net borrowings was further reduced by HK\$10 million.

業務回顧及展望

業務回顧

於二零零二年，不明朗的經濟環境及市場經歷眾多挑戰之下，本集團之營業額及淨溢利仍錄得增長。

本集團的營業額已由二零零一年度的港幣1,660,000,000元，增長至是年度之港幣1,910,000,000元，增幅達15%。而除稅後股東應佔溢利亦由去年經重列後之虧損港幣220,000,000元改善至今年度溢利港幣21,000,000元。

此成就主要由於我們的知名品牌成功滲透中國市場、包裝產品業務的改善以及分銷業務的貢獻。

在二零零二年，本集團動用港幣130,000,000元將其附屬公司—南順食品有限公司（「南順食品」）完成私有化。此外，亦收購江蘇南順麵粉有限公司成為全資附屬公司。這些計劃的融資主要來自集團日常營業之流動資金。而集團之淨借貸額已進一步減少港幣10,000,000元。

Flour
麵粉



Financial Review

The Group generally finances its businesses with internally generated cash-flows and banking facilities at different geographical markets as far as practicable. Financing and cash management activities of the Group are co-ordinated at the corporate level.

The Group's management continued to keep tight control on credit policies and inventory planning. As at 31st December 2002, over 90% of the Group's receivables were less than 3 months old. On the other hand, the Group generally receives favourable terms from its trade creditors.

The debt maturity profile of the Group as at 31st December 2002 is as follows:

		As at 31st December 於十二月三十一日結算	
		2002 二零零二年 HK\$'000 港幣千元	2001 二零零一年 HK\$'000 港幣千元
Repayable within one year	一年內償還	200,152	403,106
Repayable after 1 year, but within 2 years	於一年後至兩年內 償還	73,744	656
Repayable after 2 years, but within 5 years	於兩年後至五年內 償還	47,250	—
Total	總額	321,146	403,762

The Group has total assets of HK\$1,856 million as at 31st December 2002 (2001: HK\$1,853 million). The Group's gearing ratio improved from 14% as at 31st December 2001 to 12% as at 31st December 2002, which was calculated based on the net borrowings (net of cash deposits and bank balances) of HK\$100 million (2001: HK\$110 million) and the shareholders' equity of HK\$811 million (2001 (restated): HK\$781 million).

財務回顧

本集團一般均盡量以不同地域市場內部產生之流動現金及銀行信貸提供營運所需資金。本集團之融資及現金管理事宜均由企業層統籌。

本集團之管理層，繼續嚴謹控制信貸政策及存貨規劃。於二零零二年十二月三十一日之應收賬款超過90%少於三個月賬齡。另一方面，本集團亦獲得供應商提供優惠之信貸條款。

本集團於二零零二年十二月三十一日的債務還款期分析如下：

於二零零二年十二月三十一日，本集團的總資產達港幣1,856,000,000元（二零零一年：港幣1,853,000,000元）。而本集團之負債比率已由二零零一年十二月三十一日的14%改善至二零零二年十二月三十一日的12%，此乃根據借貸淨額（已扣除現金存款及銀行結餘）之港幣100,000,000元（二零零一年：港幣110,000,000元）及股東權益港幣811,000,000元（二零零一年（重列後）：港幣781,000,000元）計算。



Edible Oil 食用油脂



As at 31st December 2002, there were sufficient banking facilities that had not yet been utilised by the Group. As the cash deposits and bank balances of the Group amounted to HK\$222 million together with the total net working capital of HK\$11 million, the management considers that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

Over 97% of the Group's cash deposits and bank balances are denominated in either HK Dollars, US Dollars or Renminbi. The exposure to exchange fluctuation is insignificant.

Employees, Training and Remuneration Policy

As at 31st December 2002, the Group had approximately 1,990 (2001: 1,710) employees. Employees are remunerated according to nature of their job and market trend, with built-in merit component incorporated in the annual increment and year end performance bonus to reward and motivate individual performance. Total staff costs for the year ended 31st December 2002 were HK\$194 million (2001 (restated): HK\$173 million).

Pursuant to the share option scheme approved by the shareholders on 26th May 2000 ("the Scheme"), the directors of the Company may invite employees and directors (other than non-executive directors) of the Company or any of its subsidiaries from time to time to take up options to subscribe for shares of HK\$1 each in the capital of the Company. The subscription price and the exercisable period are determined in accordance with prescribed formula and terms. During the year ended 31st December 2002, 3,950,000 share options were granted under the Scheme.

The Share Option Scheme adopted on 29th May 1998 was cancelled and terminated on 26th May 2000 of which 1,094,605 share options were exercised during the financial year ended 31st December 2002.

於二零零二年十二月三十一日，本集團備有足夠未動用之銀行信貸額。有鑒於本集團之現金存款及銀行結餘共港幣222,000,000元以及淨營運資金總額達港幣11,000,000元，管理層認為本集團具備充足財務資源償還債務及提供日常業務運作所需資金及資本支出。

本集團的現金存款及銀行結餘超過97%均為港幣、美元或人民幣。受貨幣兌換率波動影響的機會甚微。

僱員、培訓及薪酬政策

於二零零二年十二月三十一日，本集團旗下員工約1,990人(二零零一年：1,710人)。員工薪酬乃按其工作性質和市況而釐定，並於是期間增薪評估內設有表現評估部分及年終獎金，以推動及獎勵個人工作表現。截至二零零二年十二月三十一日止年度的職工成本總額為港幣194,000,000元(二零零一年(重列後)：港幣173,000,000元)。

根據股東於二零零零年五月二十六日通過的購股權計劃(「該計劃」)，本公司董事可邀請本公司或其任何附屬公司的僱員及董事(不包括非執行董事)接納購股權，可認購本公司作價港幣1元的股份。該等購股權的認購價及行使期乃按照指定的計算方法及條款而釐定。截至二零零二年十二月三十一日止年度內，該計劃共授出3,950,000股購股權。

而於一九九八年五月二十九日推行的購股權計劃已於二零零零年五月二十六日取消及終止。其中1,094,605股購股權於截至二零零二年十二月三十一日止年度內已予以行使。



Detergent

清潔用品



Details of the share option schemes of the Company are set out in the "Directors' Report" to the annual report.

Charges on Group Assets

As at 31st December 2002, the amount of the Group's assets pledged as security for liabilities was HK\$93 million (2001: HK\$574 million).

Contingent Liabilities

- (a) As at 31st December 2002, the Company had contingent liabilities in respect of guarantees given by the Company to banks to secure banking facilities granted to certain subsidiaries of which amount utilised by the subsidiaries amounted to HK\$172,030,000 (2001: nil).
- (b) As at 31st December 2002, the Group had contingent liabilities in respect of several guarantees given to banks to secure banking facilities of a jointly controlled entity to the extent of HK\$38,623,000 (2001: HK\$15,333,000).
- (c) As at 31st December 2002, the Group sold its notes receivable with recourse to finance companies, which amounted to HK\$35,239,000 (2001: HK\$20,408,000).
- (d) As at 31st December 2002, the Group committed to supply 14.7 million (2001: 32 million) aluminium cans to a customer in Taiwan at a fixed price. Such commitment was covered by a bank guarantee issued to the customer, which amounted to approximately HK\$2,684,000 (2001: HK\$2,095,000). The Group had contingent liabilities arising from counter indemnity given to the bank in respect of such guarantee.

本公司之購股權計劃已詳列於年報內之董事會報告書中。

本集團資產之抵押

於二零零二年十二月三十一日，本集團為負債作出抵押之資產金額為港幣93,000,000元（二零零一年：港幣574,000,000元）。

或然負債

- (a) 於二零零二年十二月三十一日，本公司的或然負債為本公司向銀行提出的擔保，以便若干附屬公司取得銀行信貸額。而有關附屬公司已動用之信貸金額共港幣172,030,000元（二零零一年：無）。
- (b) 於二零零二年十二月三十一日，本集團的或然負債為多項由本集團向銀行提出的擔保，以便有關共同控制個體取得銀行信貸額共港幣38,623,000元（二零零一年：港幣15,333,000元）。
- (c) 於二零零二年十二月三十一日，本集團向財務機構出售有追索權之應收票據，總值港幣35,239,000元（二零零一年：港幣20,408,000元）。
- (d) 於二零零二年十二月三十一日，本集團與一台灣客戶簽定合約，以固定價格供應14,700,000片（二零零一年：32,000,000片）鋁罐。本集團就是項合約向有關客戶提出銀行擔保。其擔保金額約為港幣2,684,000元（二零零一年：港幣2,095,000元）。本集團就是項擔保向該銀行提供相應之損害賠償，因此被視為本集團的或然負債。



Packaging

包裝產品



OUTLOOK

The key factors affecting our businesses are the economic growth in China, the government policies and commodity prices. The Group has further strengthened its branding and sales distribution network to position itself appropriately for the growth of the food and agricultural industry in China. Our financial position remains sound to support further investments in our core businesses in the region.

Food Segment

The Segment achieved double-digit sales growth in China this year. Profitability for the year was affected mainly due to fluctuations in raw material costs and increase in investments for branding and market penetration.

In December 2001, the Group received the first award of The Excellent Enterprise of Foreign Investment (including Hong Kong, Macao and Taiwan) in China Food Industry by China National Food Industry Association, from 1981 to 2001.

In 2002, the Segment acquired a new flour production centre in the Jiangsu province and increased the Group's total daily production capacity from 1,000 to 1,550 metric tons.

The Group's flagship brand, "Knife" cooking oil won the award of Hong Kong Top Ten Brands in 1999. "Knife" was also recognised as a Super Brand in Asia by Reader's Digest for the past three consecutive years since 2000. "Red Lantern" also received Hong Kong Top Ten Brands in the first week of 2003.

Detergent Segment

The Segment achieved double-digit sales growth in China during the year. AC Nielsen had again ranked Lam Soon the market leader in Hong Kong represented by its two major brands, "AXE" and "Labour". "AXE" also achieved recognition with an award of Hong Kong Top Ten Brands in 2000.

展望

中國經濟增長、國家政策及原材料價格均是影響業務的關鍵因素。本集團致力鞏固其品牌形象及銷售網絡，以定位於中國食品及農產品工業之增長中。我們的財政狀況仍然穩固，予以支持繼續在區內投資我們的主要業務。

食品分部

本分部是年度在中國錄得雙位數字的銷售增長。原材料價格浮動，與增加投資於品牌及提高市場滲透率方面影響了是年度之盈利能力。

在二零零一年十二月，本集團更是首次被中國食品工業協會表彰為自一九八一年至二零零一年內中國食品工業傑出外商(港澳台)投資企業。

在二零零二年度，本分部在江蘇省收購了一所新的麵粉生產中心，令集團每日之生產量由一千公噸增加至一千五百五十公噸。

本集團的旗艦品牌，「刀嘜」食油於一九九九年榮獲香港十大名牌獎，並自二零零零年起連續三年被讀者文摘評為亞洲非常品牌金獎。「紅燈牌」同時在二零零三年首週榮獲香港十大名牌獎。

清潔用品分部

本分部是年度在中國錄得雙位數字的銷售增長。AC Nielsen之調查報告再評級南順之兩個主要品牌「斧頭牌」及「勞工牌」雄踞香港的清潔用品市場。「斧頭牌」更在二零零零年榮獲香港十大名牌獎。



***Bakery and
Frozen Food***
麵包及冷凍食品

Packaging Segment

In 2001, the Group took the decision to write down the book value of its idle machineries and properties reflecting its underlying capacity utilisation and the market conditions of excess supply versus demand. The Segment continues to improve its operating efficiency and cost control.

Distribution Segment

Lam Soon Food Supply Company Limited is a new subsidiary wholly-owned by the Company. Its mission is to maximise the operating synergies by integrating the sales and logistic operations for all the Group's products and services in Hong Kong.

The Segment completed its restructuring in August 2001 and reported encouraging performance despite difficult market conditions in Hong Kong.

BOARD AUDIT COMMITTEE

The Board Audit Committee comprises Messrs. Ng Ping Kin, Peter (Chairman), Lo Kwong Chi, Clement, Tsang Cho Tai and Tsao Chen, James, three of whom are independent non-executive directors. The Board Audit Committee intends to meet quarterly to assist the Board in providing an independent review on the completeness, accuracy and fairness of the financial statements of the Company, as well as the efficiency and effectiveness of the Company's operations and internal controls. In addition, the Board Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group and the auditors' report thereon and submits them to the Board.

包裝產品分部

在二零零一年度，本集團決定將其閒置生產機器及物業資產減值，反映生產能力使用率及市場情況出現供過於求。本分部會繼續改善其營運效率及控制成本。

產品分銷分部

南順食品供應有限公司為本公司之新全資附屬公司，其成立之目的為結合香港產品之銷售及後勤服務，從而擴大其營運協同效益。

本分部已於二零零一年八月完成其重組，並在香港因難之營商環境下，仍有令人鼓舞之表現。

董事會審核委員會

董事會審核委員會由伍秉堅先生(主席)，羅廣志先生、曾祖泰先生及曹震先生組成，其中三位為獨立非執行董事。董事會審核委員會擬每季舉行一次會議以協助董事會獨立檢討本公司財務報表的完整性、準確性和公正程度以及本公司營運與內部監控的效率及效益。董事會審核委員會已連同管理層檢討本集團所採納之會計政策及實務，以及商討審計、內部監控及財務申報事宜，並已包括審閱本集團經審核後之綜合財務報表，以及當中所載之核數師報告，並呈交該等報表及報告予董事會。

APPRECIATION

The Board would like to express its sincere appreciation to its bankers, suppliers, customers and shareholders for their continued support to the Group. The Board also wishes to thank the Group's management and staff for delivering major progress in various core businesses.

By Order of the Board
WHANG Tar Choung
Chairman

Hong Kong, 11th April 2003

鳴謝

董事會同寅對一直給予本集團支持的銀行、供應商、顧客及股東，致以最由衷的感謝。同時董事會同寅亦感謝本集團的管理層及員工，對核心業務之進展所付出之努力。

承董事會命
主席
黃大椿

香港，二零零三年四月十一日