

## BUSINESS REVIEW AND OUTLOOK

### Business Review

The Board of Directors of Lam Soon (Hong Kong) Limited ("the Board") is pleased to announce that the audited consolidated profit attributable to shareholders for the year ended 31st December 2003 was HK\$38 million representing an improvement of 116% from that of last year. This was achieved despite of unexpected increase in commodity costs and the difficulty in passing on the additional cost to customers when the overall retail market was badly affected by Severe Acute Respiratory Syndrome ("SARS") epidemic.

The Board is recommending a final dividend of HK\$0.06 per share.

The Group's consolidated turnover for the same period showed a growth of 7% to HK\$2,036 million. This is mainly attributable to the increasing customer acceptances of our flagship brands and our improved distribution networks. The sales and marketing team has also taken advantage of the recovering economy during the second half of the year after the outbreak of the SARS earlier this year.

The Group received a series of awards for its flagship brands recognising our leadership in the various categories. The Group is the only company in Hong Kong which has received four Hong Kong Top Ten Brandnames Awards from The Chinese Manufacturers' Association of Hong Kong. The four brands include "Knife" Brand cooking oil in 1999, "AXE" Brand detergent products in 2000, "Red Lantern" Brand cooking oil in 2002, and "Golden Statue" Brand bread flour in 2003.

In February this year, the Group also received Superbrands Awards for "Lam Soon" and "Knife" Brand from Superbrands Limited. Furthermore, "Knife" Brand has been named by The Reader's Digest magazine as Asian Super Brand for the fourth consecutive year.

During the year under review, the Group has launched a Branding-Inside Program to promote its brands and products to all of its 2,000 employees and their friends and relatives in various locations where the Group has operations. As at the end of the period, the Group's employees have accomplished more than 135,000 referrals reinforcing the power of teamwork and the Group Total Efforts Programme.

## 業務回顧及展望

### 業務回顧

南順(香港)有限公司董事會(「董事會」)欣然向各界公佈，截至二零零三年十二月三十一日止，經審核之股東應佔溢利為港幣38,000,000元。雖然受著突如其來之原材料價格上漲及因非典型肺炎事件影響零售市場而引致上漲之成本難以轉嫁予消費者之不利因素下仍較去年同期錄得116%的增幅。

董事會建議派發每股港幣0.06元之末期股息。

集團本年度的綜合營業額為港幣2,036,000,000元，較去年同期增長7%。這是由於本集團的旗艦品牌廣被大眾消費者所認同及其銷售網絡不斷增多以及因銷售及市務隊伍承接了年初非典型肺炎事件爆發後至下半年度經濟復甦之利好因素所影響。

本集團的旗艦品牌更獲得多項殊榮以引證集團於各產品之領導地位。本集團是香港唯一一間公司榮獲香港中華廠商聯合會頒發四個香港十大名牌獎項。這四個名牌包括於一九九九年獲得之「刀嘜」食用油、二零零零年獲得之「斧頭牌」洗滌產品、二零零二年獲得之「紅燈牌」食用油及二零零三年獲得之「金像牌」麵粉。

本年二月，集團更榮獲 Superbrands Limited 頒發予「南順」及「刀嘜」之超級品牌。此外，「刀嘜」更連續第四年被讀者文摘選為亞洲非常品牌。

在本年度內，集團已推出「南順與我、共創名牌」計劃，在本集團營運區域內以推廣其品牌及產品予二千名員工及其親友。截至本年底，集團員工已成功向其家屬及親友收集多於135,000個推介。此反映本集團的團隊力量及上下協力同心的精神。

Reduction in total operating costs was achieved despite increase in sales transactions as a result of our continuous commitment to improve efficiency and productivity through our Financial Management Excellence Program, Quality Productivity Program and Human Resources Recruitment and Development Program.

Furthermore, during the year, the Group has developed and implemented a series of e-applications to enhance operational effectiveness and efficiency. The use of e-bidding system managed to reduce our purchasing costs. The e-workflow applications also facilitated more timely administrative processes. The "Lam Soon e-University" is an internal e-learning system, which has been successfully launched in all regional offices and factories. It provides a structured, consistent, and cost effective training platform for our employees. The Group is committed to achieving cost savings through these programs in the short term as well as building competitive advantages of our staff, brands, services and technologies for the long-term growth.

## Financial Review

The Group's different geographical operating units generally finance their business operations with their own internally generated cash-flows and banking facilities as far as practicable with financing and cash management activities of the Group being determined and approved at the corporate level.

The Group's management continues to keep tight control on credit policies and inventory planning. As at 31st December 2003, over 97% 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.

雖然本集團的銷售次數不斷增加，然而因本集團致力實踐卓越財務管理計劃、質量與生產力計劃及人力資源發展計劃，以改善效率及生產力，故能同時有效地減低整體營運費用。

此外，在本年度內集團發展及推行一系列的內部電子應用軟件來提升營運效能及效率。使用招標採購網以致減低採購成本及使用電子化流程系統以提供及時行政程序。「南順電子大學」是集團之內部學習系統並已成功推展至本集團各地區之辦事處及廠房。它提供了一個有組織、統一而又符合成本效益的培訓平台予員工。在短期內，本集團力求推行以上計劃以達致成本之減省。在長期而言，本集團期望能建立員工、品牌、服務及科技上之相對優勢。

## 財務回顧

本集團不同地域的經營單位，一般均盡量以其內部產生之流動現金及銀行信貸提供營運所需資金，而本集團之融資及現金管理事宜均由集團管理層決定及審批。

本集團之管理層繼續嚴謹控制信貸政策及存貨規劃。於二零零三年十二月三十一日之應收賬款超過97%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。

The debt maturity profile of the Group as at 31st December 2003 is as follows:

本集團於二零零三年十二月三十一日的債務還款期分析如下：

		As at 31st December 於十二月三十一日結算	
		2003 二零零三年 HK\$'000 港幣千元	2002 二零零二年 HK\$'000 港幣千元
Repayable within 1 year	一年內償還	242,548	200,152
Repayable after 1 year, but within 2 years	於一年後至兩年內 償還	59,500	73,744
Repayable after 2 years, but within 5 years	於兩年後至五年內 償還	11,000	47,250
<b>Total</b>	<b>總額</b>	<b>313,048</b>	<b>321,146</b>

The Group has total assets of HK\$1,820 million as at 31st December 2003 (2002 (restated): HK\$1,886 million). The Group's gearing ratio has changed from 9% as at 31st December 2002 to 10% as at 31st December 2003, which was calculated based on the net borrowings (net of cash and cash equivalents) of HK\$91 million (2002: HK\$70 million) and the shareholders' equity of HK\$867 million (2002 (restated): HK\$824 million).

截至二零零三年十二月三十一日，本集團的總資產達港幣1,820,000,000元（二零零二年（重列後）：港幣1,886,000,000元）。而本集團之負債比率則由二零零二年十二月三十一日的9%改變至二零零三年十二月三十一日的10%，此乃根據借貸淨額（已扣除現金及現金等值物）之港幣91,000,000元（二零零二年：港幣70,000,000元）及股東權益港幣867,000,000元（二零零二年（重列後）：港幣824,000,000元）計算。

As at 31st December 2003, the Group had sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure. Over 99% of the Group's cash deposits and bank balances are denominated in either HK Dollars, US Dollars or Renminbi. Forward foreign exchange contracts are utilised where appropriate to hedge against any currency exposures.

於二零零三年十二月三十一日，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99%均為港幣、美元或人民幣。本集團會適當地使用遠期外匯合約對沖其他貨幣兌換率波動之風險。



# FOOD SEGMENT - FLOUR 食品分部 - 麵粉

## 1. Plants 廠房



Shekou Lam Soon Flour Mills Plant  
蛇口南順麵粉廠



Jiangsu Lam Soon Flour Mills Plant  
江蘇南順麵粉廠

## 2. Our Team 我們的團隊



Our staff at Jiangsu Lam Soon Flour Mills Co. Limited  
江蘇南順麵粉有限公司同事合照

## 3. New Products & New Packagings 新產品與新包裝



Tower A Brand  
鐵塔A牌

Crown 800 Brand  
皇冠800牌

Golden Statue 600 Brand  
金像600牌



The first 'Golden Statue' consumer pack launched  
「金像牌」首個家庭裝推出

## 4 Awards 所獲殊榮



### 美玫牌

蛇口南順面粉有限公司美玫牌麵粉所委任之上海代理獲上海航天局神五號試驗隊頒發「神舟載人首飛成功，申振供貨及時守信」錦旗及模型。

### American Roses

Our Shanghai distributor received the Best Service award from Shanghai Aerospace Ministry in recognising the supply of our American Roses Brand flour for the first successful flight of Shenzhou-5 spacecraft.



Award of Chinese Enterprises with Foreign Investment Excellent Economic and Export Performance in 2002  
2002年度全國外商投資雙優企業



Shekou Lam Soon Flour Mills Company Limited was awarded "Production Permit of National Industry Products" by Chief Bureau of National Quality Independent Inspection Quarantine

蛇口南順麵粉有限公司榮獲國家質量監督檢驗總局頒發的【全國工業產品生產許可証】



Shekou Lam Soon Flour Mills Company Limited was awarded Top Hundred Companies of Chinese Food Industry by Agriculture, Substandard Food Processing Industry  
蛇口南順麵粉有限公司獲中國食品工會頒發「百強企業」



Shekou Lam Soon Flour Mills Company Limited was awarded "Nan Shan District Warden Quality Award" in Chinese Famous Brand Product and Guangdong Province Famous Brand Product Meeting.  
蛇口南順面粉有限公司獲「區長質量獎」暨「中國名牌產品」「廣東省名牌產品」表彰大會中，頒發首屆「南山區區長質量」獎。

## Employees, Training and Remuneration Policy

As at 31st December 2003, the Group has approximately 2,000 (2002: 1,990) employees. Employees are remunerated according to the 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 2003 were HK\$202 million (2002: HK\$194 million).

The Company has adopted a share option scheme for the purpose of motivating the directors and employees of the Group and to allow them to participate in the growth of the Company. A share option scheme (the "Old Share Option Scheme") was adopted on 26th May 2000 and a total of 3,950,000 share options were granted on 5th June 2002. On 23rd May 2003, in order to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, a new share option scheme of the Company (the "New Share Option Scheme") was approved by the Company's shareholders. The Old Share Option Scheme was terminated on 23rd May 2003 without prejudice to any share options previously granted prior to such termination.

## Charges on Group Assets

As at 31st December 2003, the amount of the Group's assets pledged as security for liabilities was HK\$64 million (2002: HK\$93 million).

## Contingent Liabilities

- (a) As at 31st December 2003, 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\$182,286,000 (2002: HK\$172,030,000).
- (b) As at 31st December 2003, 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\$45,544,000 (2002: HK\$38,623,000).

## 僱員、培訓及薪酬政策

截至二零零三年十二月三十一日，本集團旗下員工約2,000人（二零零二年：1,990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。截至二零零三年十二月三十一日止年度的職工成本總額為港幣202,000,000元（二零零二年：港幣194,000,000元）。

本公司已採納購股權計劃以達到激勵董事及合資格員工參與本公司發展之目的。於二零零零年五月二十六日，一項購股權計劃「舊購股權計劃」被採納及於二零零二年六月五日共授出3,950,000股購股權。於二零零三年五月二十三日，依照香港聯合交易所有限公司上市規則第十七章的新規定，一項新購股權計劃「新購股權計劃」已獲得公司股東批准。而舊購股權計劃已於二零零三年五月二十三日取消及終止，但不會影響於此日期前已獲授之購股權之人士。

## 本集團資產之抵押

於二零零三年十二月三十一日，本集團為負債作出抵押之資產金額為港幣64,000,000元（二零零二年：港幣93,000,000元）。

## 或然負債

- (a) 於二零零三年十二月三十一日，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182,286,000元（二零零二年：港幣172,030,000元）。
- (b) 於二零零三年十二月三十一日，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45,544,000元（二零零二年：港幣38,623,000元）。



- (c) As at 31st December 2003, the Group sold to finance companies its notes receivable with recourse, which amounted to HK\$14,004,000 (2002: HK\$35,239,000).
- (d) As at 31st December 2003, the Group committed to supply 34.4 million (2002: 14.7 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\$6,589,000 (2002: HK\$2,684,000). The Group had contingent liabilities arising from counter indemnity given to the bank in respect of such guarantee.
- (c) 於二零零三年十二月三十一日，本集團向財務機構出售有追索權之應收票據，總值港幣14,004,000元（二零零二年：港幣35,239,000元）。
- (d) 於二零零三年十二月三十一日，本集團與一台灣客戶簽定合約，以固定價格供應34,400,000片（二零零二年：14,700,000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6,589,000元（二零零二年：港幣2,684,000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。

## REVIEW OF OPERATIONS

### Food Segment

The food segment continues to report value and volume growth in sales in Mainland China. Its profitability for the year under review was affected by rising commodity costs and competitive conditions in the retail markets. This challenging environment is expected to stabilise by the second half of 2004. The segment will benefit from anticipated selling price increase coupled with increasing demand for the full year of 2004.

### Detergent Segment

The segment reported a 14% growth in turnover mainly due to the successful launch of new products, such as AXE 1:49 Ready-to-Use Germs and Virus Killer, AXE Multi-Purpose Anti-Bacterial Spray and the AXE Skin Moisturising Dishwashing Detergent with Lavender.

### Packaging Segment

The segment continues to show improvement in its earnings resulting from growing sales and improving operating efficiency.

## 業務回顧

### 食品分部

食品分部在中國大陸繼續保持其銷售額及銷售量的增長。根據本年度之檢討，盈利是受着成本上漲及零售市場激烈的競爭所影響。預料此富挑戰性的經營環境所帶來之影響將於二零零四年下半年開始回穩。此外，食品分部可望在二零零四全年受惠於上升的銷售價格及增加的市場需求。

### 清潔用品分部

清潔用品分部錄得14%之營業額增長。此成績有賴推出一系列嶄新的產品，例如：AXE 1:49即用消毒水，AXE萬用殺菌清潔噴劑及「斧頭牌」薰衣草護膚洗潔精等。

### 包裝產品分部

在銷售及營運效率不斷增加及改善下，包裝產品分部仍能繼續保持盈利上的增長。

# FOOD SEGMENT - OIL 食品分部 - 油脂

## 1. Plant 廠房



Shekou Lam Soon Edible Oils Plant  
蛇口南順油脂廠房



## 2. Research and Development 研究及發展

## 3. New Products & New Packagings

### 新產品與新包裝



New package of Knife Brand - Peanut Oil  
新包裝「刀嘜」純正花生油

New package of Knife Brand - Corn Oil  
新包裝「刀嘜」純正粟米油

New package of Knife Brand - Canola Oil  
新包裝「刀嘜」純正芥花子油



New package of Knife Brand  
- Peanut Oil Blend (High Oleic Formula)  
新包裝「刀嘜」花生油 (高健配方)

New package of Knife Brand  
- Corn Oil Blend (High Oleic Formula)  
新包裝「刀嘜」粟米油 (高健配方)



New product - 5L/2L ADE soybean salad oil  
新產品 - 五升/兩升 ADE 大豆色拉油

## 4. Awards

### 所獲殊榮

#### 食用油系列



'Red Lantern' was awarded Honour Certificate' in Top Ten of Market Share in 2002.

「紅燈牌」食用植物油於2002年度獲頒「榮譽證書」名銜，於市場綜合佔有率在同類產品中，榮列前十名

For the fourth consecutive year that "Knife" brand was recognised as a Super Brand Gold Prize in Asia by Reader's Digest from 2000 to 2003. 「刀嘜」於2000年至2003年連續四年於《讀者文摘》品牌喜好調查中獲亞洲非常品牌金獎。



'Red Lantern' 'Knife' 'Fortune Star' 'Soon' 'Fat' brands were recognised as the official edible oils by the "Training Bureau of State Sports General Administration of China" at the forthcoming Athens 2004 Olympic Games.

紅燈牌、刀嘜牌、福星牌、順嘜牌、發嘜牌系列榮獲「國家體育總局訓練局運動員專用食用油」備戰2004年雅典奧運指定食用油



"Shenzhen Lam Soon Edible Oils Co Ltd" was recognised as an A-tier Enterprise in terms of quality, services and reputation in China by the China Market Research Centre. 深圳南順油脂有限公司榮獲中國市場研究中心頒發「中國質量服務信譽AAA級企業」



# PACKAGING SEGMENT 包裝產品分部

## 1. Plants 廠房



Zhuhai LSO Ends Packaging Limited's Plant  
珠海南順製蓋容器有限公司廠房



Lam Soon Ball Yamamura Inc.'s Plant  
南順製罐股份有限公司廠房。

## 2. Production Line 生產線



## 3. Products 產品



## 4. Award 所獲殊榮



Zhuhai LSO Ends Packaging Limited was awarded with the internationally accredited ISO9001: 2000 in 2003  
於二零零三年度珠海南順製蓋容器有限公司獲得國際認可的ISO9001：2000證書

## Distribution Segment

The turnover of the distribution business in Hong Kong was adversely affected by SARS and the structural changes of the Hong Kong economy. However, this segment is able to improve its profitability, through increased productivity and operating synergies as a result of the Group's integration of sales, marketing and distribution services since 2001.

## OUTLOOK

The economy in Hong Kong and Mainland China has recovered relatively quickly after the SARS outbreak. With the benefit of individuals visit scheme subsequently introduced by the PRC Government and the accession of Closer Economic Partnership Arrangement ("CEPA"), Hong Kong has a more conducive environment for new investments and consumer spending. We expect this growth phenomenon to continue in 2004 as evidenced by the increasing number of Chinese companies coming to Hong Kong for public listing and the inflow of capital into the region.

We expect the PRC economy to continue to grow at 6% to 8% per annum. With on-going increase in per capita income, consumers will continue to shift to branded products of better quality. This change of consumer preference will give rise to premium margins on quality products.

With improving economies all round and higher standard of living, the increase in demand for better food and consumer products will be a growing trend. This will put the Group's core businesses in a favourable condition. The Group is prepared to meet these market conditions and challenges and will strive to create competitive advantages for achieving long-term growth.

## 產品分銷分部

在香港之產品分銷業務之營業額，受非典型肺炎事件及本港經濟結構性轉型所影響。然而，因集團於二零零一年成功整合其銷售、市務拓展及分銷服務，所以此分部仍能有效地改善利潤及增加生產力。

## 展望

香港及中國大陸經濟發展於非典型肺炎事件爆發後，相對地迅速復甦。此外，中國政府推出之自由行計劃及香港特區政府簽署的更緊密經貿關係的安排下，香港將成為一個更具投資及消費吸引力的地方。我們預料此等現象將會因更多的中資企業來港上市及資金湧入而令至在二零零四年持續出現。

我們預期中國經濟增長維持全年6%至8%。而個人平均收入將持續上升，消費者將傾向購買優質品牌的貨品。隨著消費者此購物模式的改變，我們能藉此提高優質產品之邊際利潤。

隨着外圍經濟及生活水平不斷改善，對優質食品及消費品之需求增加將成趨勢。這正好把集團核心業務放至最有利位置。集團將作好準備以迎戰目前的市況及挑戰，並加強競爭力，以達至長期增長的目標。

## 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 their total commitment and for achieving major progress in our core businesses.

By Order of the Board  
**WHANG Tar Choung**  
*Chairman*

Hong Kong, 15th January 2004

## 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及承諾。

承董事會命  
主席  
**黃大椿**

香港，二零零四年一月十五日



# DETERGENT SEGMENT 清潔用品分部

## 1. Plant 廠房



Guangzhou Lam Soon Homecare Products Limited's Plant  
廣州南順清潔用品有限公司廠房

## 2. Research & Development

研究及發展



## 3. New Products & New Packagings

新產品與新包裝



May 2003  
2003年5月

New product of AXE Skin Moisturizing Dishwashing Detergent with Lavender  
「斧頭牌」薰衣草護膚洗潔精新產品



May 2003  
2003年5月

New product of AXE 1:49 Ready-to-Use Germs and Virus Killer  
「AXE」1:49 即用消毒水新產品



May 2003  
2003年5月

New product of AXE Multi-Purpose Anti-bacterial Spray  
「AXE」萬用殺菌清潔噴劑新產品



August 2003  
2003年8月

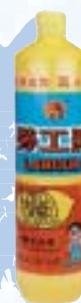
New product of AXE Glass Cleaner  
「斧頭牌」玻璃清潔劑新產品

May 2003  
2003年5月



New package of Labour Bleach  
「勞工」特效漂白水新包裝

April 2003  
2003年4月



New package of Labour Liquid Detergent  
「勞工」檸檬洗潔精新包裝

September 2003  
2003年9月



New package of Labour Green Apple Liquid Detergent  
「勞工」青蘋果醋味洗潔精新包裝

December 2002  
2002年12月



New package of AXE Fabric Softener  
「AXE」衣物柔順劑新包裝

May 2003  
2003年5月



New package of AXE Skin Moisturising  
Dishwashing Detergent with Lemon  
「斧頭牌」檸檬護膚洗潔精新包裝

## 4. Awards 所獲殊榮

清潔用品系列



Guangzhou Lam Soon Homecare Products Limited achieved "China Environmental Label Certification in China in 2003".

廣州南順清潔用品有限公司於2003年度獲得「中國環境標誌產品認證證書」。

勞工牌



'Labour' was awarded "The Top Ten Shampoo and Cosmetic Brand" in Guangdong Province in "The Most Favorable Product" Activity organised by Yang Cheng Evening News in 2003.

「勞工牌」於2003年度在羊城晚報社主辦的「最受消費者喜愛的產品」活動中獲取2003年廣東最受消費者喜愛的洗滌，美髮，美容化妝品十佳品牌。

# DISTRIBUTION SEGMENT 產品分銷分部

## 1. Logistic Service 物流服務



## 2. Warehouse and Headquarters in Hong Kong 倉庫及香港總公司



## 3. Sales Team 銷售隊伍

Top Sales Team - Western New Territories  
最高銷售營業組 - 新界西



## 4. Products 產品

