On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2001.

RESULTS

The Group reported a total turnover of approximately HK$297.3 million and a profit attributable to shareholders of approximately HK$1.4 million for the year ended 31 March 2001. Basic earnings per share was HK0.3 cent, based on the weighted average of 503,708,219 ordinary shares in issue during the year.

DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK1 cent per share in respect of the year ended 31 March, 2001 to all shareholders whose names appear on the register of members of the Company on 31 August, 2001. Subject to the approval of shareholders at the forthcoming annual general meeting, dividend cheques will be sent to shareholders on or before 7 September, 2001.

BONUS ISSUE OF SHARES

The Board of Directors proposed a bonus issue of shares of the Company to the shareholders of the Company whose names appear on the register of members on 31 August, 2001 on the basis of one share of HK$0.1 of the Company (the " Share") for every four Shares held by such shareholders on such date (the "Bonus Issue").

The Bonus Issue is conditional upon the approval of shareholders at the forthcoming annual general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the Shares to be issued pursuant to the Bonus Issue.

BUSINESS REVIEW

For the year ended 31 March, 2001, the Group continued to be principally engaged in its core business of printing and manufacture of packaging boxes, children novelty books, hangtags, labels, shirt paper boards, plastic bags as well as commercial printing. The Group had also attempted to develop the now discontinued Internet on-line game business using the Dreamcast apparatus, technology and software through its strategic alliance with Sega.com, Inc.

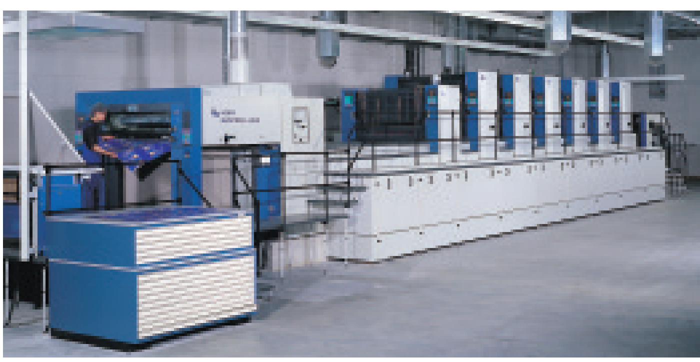
On 8 April 2000, the Company acquired 6.8% shareholdings in Sega.com PC Networks, Inc. from Sega.com, Inc. for an aggregate consideration of approximately HK$137 million, satisfied by the issue of 160 million new shares of the Company. In July 2000, Sega.com, Inc. subscribed for 16,000,000 new shares of the Company at a total subscription price of approximately HK$21.8 million, which had been used by the Company to fund the now discontinued Internet on-

line game business. In August 2000, Sega.com, Inc. further entered into an agreement (the "Licensing Agreement") with the Company's indirect wholly-owned subsidiary, Sega.com Asia Networks Limited, to assist the latter in the set up of an exclusive Asian-based proprietary network which would allow users/subscribers to access games and other entertainment programmes using the Dreamcast apparatus and technology. Sega.com, Inc. also allowed Sega.com Asia Networks Limited to use its intellectual property rights to run the said network. However, for circumstances and reasons detailed in the circular of the Company dated 3 March, 2001, which, among others, included the adverse change in market sentiment, new operation focus of Sega.com, Inc. and the discontinued production of Dreamcast console by Sega Corporation, the Group had not been able to roll out its Internet on-line game business as originally planned. The Company had accordingly entered into an agreement with Sega.com, Inc., pursuant to which the Company had agreed to dispose to Sega.com, Inc. of (i) its 100% equity interest in Sega.com Asia Networks Limited at a cash consideration of US$445,000 (equivalent to approximately HK$3.5 million) and (ii) its 6.8 % equity in the issued share capital of Sega.com PC Networks, Inc. for the transfer by Sega.com, Inc. of its 176,000,000 shares in the Company and a cash consideration of US$480,000 (equivalent to approximately HK$3.7 million). Following the completion of all the conditions of the said agreement on 7 May, 2001, the Group had effectively terminated all its investments in the Internet on-line game business and ceased to have any interest in the Licensing Agreement. The 176,000,000 shares transferred from Sega.com, Inc. were cancelled by the Company and Sega.com Inc. had ceased to have any shareholding in the Company. The resulting net gain on the disposal of (i) and (ii) was approximately HK$1.1 million.

For the year under review, the Group recorded a total turnover of approximately HK$297.3 million as compared to its total turnover of approximately

HK$295.3 million of the previous financial year. Almost all the Group's total turnover was attributable to its core business. For the year ended 31 March, 2001, the Group's turnover in the printing and manufacture of packaging boxes, children novelty books and commercial printing was approximately HK$273.0 million and accounted for about 91.8% of the Group's total turnover. It also represented a growth of about 8.1% from the turnover of approximately HK$252.5 million of the same category of activities in the previous financial year. The Group's turnover in the printing and manufacture of hangtags, labels, shirt paper boards and plastic bags for the year ended 31 March, 2001 was approximately HK$24 million and accounted for about 8.1% of the Group's total turnover. The Group did not record any material turnover for the now discontinued Internet on-line game business as the business was still at its development stage by then. For the year under review, only about HK$0.3 million was reported from that activity, and which represented the sales of Dreamcast consoles, game titles and other Dreamcast accessories.

The Group's core business remained the major source of operating profit for the Group. For the year ended 31 March, 2001, competition within the industry remained very keen which resulted in pressure on profit margins. Notwithstanding the difficult operating environment, the Group's core business managed to record an operating profit of approximately HK$19.1 million, which has taken into account a provision for a revaluation deficit of HK$2.3 million on the Group's leasehold land and buildings not covered by previous revaluation surplus. Had the impact of the provision of such revaluation deficit been excluded, the operating profit of the Group's core business for the year under review would have been at approximately HK$21.4 million as compared to the operating profit of approximately HK$27.3 million of the previous financial year.



The operating profit derived from the Group's core business for the year ended 31 March, 2001 had largely been offset by the operating loss of approximately HK$17 million resulted from the development of the now discontinued Internet on-line game business of the Group, which was mainly attributable to the day-to-day operating expenses including salary and administration expenses, system

installation and development expenses, marketing, research and promotion expenses as well as lay-off payments made to the employees upon discontinuing the Internet on-line game business. For the year under review, the net operating profit of the Group was approximately HK$2.1 million as compared to the net operating profit of the Group of HK$27.3 million of the previous financial year.

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. In July 2000, 16,000,000 new shares of the Company were issued to Sega.com, Inc at a subscription price of HK$1.36 per share. The fund so raised in the amount of approximately HK$21.8 million was used for the development of the now discontinued on-line game business. As at 31 March, 2001, the Group had un-utilised available aggregate banking facilities of approximately 39.2 million which were secured by legal charges on certain properties owned by the Group. The Group's cash and bank balances and short term bank deposits as at 31 March, 2001 amounted to approximately HK$70.9 million. The Group's gearing ratio as at 31 March 2001 was 4.2%, basing on the short term and long term interest bearing bank and other borrowings plus finance lease of HK$18.3 million and the shareholders fund of HK$436.2 million. The Group's gearing ratio of the previous financial year was 10.8% and was based on the short term and long term interest bearing bank and other borrowings plus finance lease of HK$30.3 million and the shareholders fund of HK$279.7 million.

PLANS AND PROSPECT

Printing and manufacture of packaging boxes, children novelty books, hangtags, labels, shirt paper boards and commercial printing will continue to be the Group's major business activities. In view of the high competitiveness of the printing industry, every effort will be made by the Group to strengthen the revenue stream and improve the operational efficiency and production flexibility of its core business. To this end, the Group has brought in the digital printing technique in the current year to provide more value added services to its customers. The Group also plans to diversify its products range to include high valued paper products for both local and overseas markets.

Looking ahead, the Group will continue to look for and take on suitable business investments whenever suitable opportunities arise. Leveraged on the Directors' expertise in financial planning and management, the Company will seek investment opportunities with criteria including, among others, reasonable return on investment, strong cashflow, and non-capital intensive in nature. The Company expects that for most of its future investments, it will have active participation in the management of the investee company. The Directors will pursue the investment strategy of the Group on a prudent basis.

In July 2001, the Group entered into an agreement with an independent third party private company for the subscription of a convertible redeemable note (the "Note") of HK$24 million. The private company is engaged in maintenance building works for the government departments of the Hong Kong Special Administrative Region. The outstanding principal amount of the Note may be converted into ordinary shares prior to its maturity in July 2003 by the Group. If the Note is not converted, it will be redeemed at par.

EMPLOYMENT AND REMUNERATION POLICIES

During the year under review, the Group had an average available workforce of approximately 1,000, of which approximately 850 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

APPRECIATION

I would like to take this opportunity to express my sincere thanks to all our staff for their loyalty and dedication and our customers, suppliers, bankers and shareholders for their continued support.

Lui Chi
Chairman
Hong Kong, 26 July 2001