

Results

After a full year with the new Board of Directors and management team in place, we are now able to fully assess the progress of the initiatives and changes made to return the Group to full financial health. I am pleased to report that the new Board's significant cost-control measures and new initiatives for growth and profitability have placed the Group well on the way to all-round financial stability, as evidenced by the 52% drop in the ratio of our total bank borrowings to net assets. Our results have enabled us to maintain a robust market presence across our businesses, and to explore new investment opportunities to ensure we maintain growth and remain competitive. As a result, turnover for the year ended 31st March increased by 5.52 % to HK\$322,122,000, on which a profit attributable to shareholders of HK\$12,150,000 was achieved, compared to an attributable loss of HK\$32,766,000 for the previous year.

New Management

The major management restructuring exercise, which included my own appointment as Chairman of the Board of Directors in January 2001, has brought the Group a new sense of leadership and purpose. The Group is now not only back on its feet after a difficult spell, it is well on the way to complete recovery and reinvigorated business activity. At the heart of this recovery is a new confidence shared by clients, suppliers and business partners alike, and which has taken deep root amongst our staff members. Their optimism about the future springs from the rapid and effective changes made in production, sales and marketing and finance by the new management team, drawing on its wide pool of expertise and extensive experience in the industry.

Financial Stability

The Group took major steps towards improving its financial stability by significantly reducing its levels of debt over the year. Some HK\$45 million of bank loans were repaid in the year, and arrangements had put in place for the repayment of a further HK\$41 million. The Group's focused drive for debt reduction was seen by the repayment of all outstanding bank debts repaid by 11 July 2002, an impressive achievement given the limited support the Group has received from commercial banks. The key to achieving these financial goals has been all along a corporate mindset completely focused on the welfare of the business, and committed to building the future success of the Group on a sound and prudent financial footing.

Business Review and Prospects

The Group's solid achievements should be set in a context of continued difficult market conditions over the past year. Sales in the Asia-Pacific region showed steady growth, while European sales reflected a period of transition as the Group prepares for new marketing arrangements there. In the US, our single largest market, early signs of recovery have followed an initial brief downturn, with the impact of the September 11 crisis proving to be relatively short-lived in the paper products industry.

The Group has maintained and extended its valuable relationship with Wal-Mart, its most important US-based client. For the second consecutive year, the Group was designated Wal-Mart's "International Supplier of the Year", an honour which coincided with a 25% increase in order value from this client. Building on this demand and the strength of its ongoing relationship, the Group has already booked some HK\$80 million worth of Wal-Mart orders for the current year, and we anticipate this mutually profitable partnership to continue into the future.

Future Developments

Now that the Group is on the verge of full financial health, we are in a position both to plan longer-term developments and to invest astutely for a successful future. To this end, a number of developments are planned in response to market changes and opportunities. A key to our vision is diversification, as we look to diversify not only our product range but also our range of markets, and even our business range with a move into the packaging industry.

Increased quantity without quality is not our goal however, and going hand in hand with diversification will be enhanced teams for design and research that will ensure cutting edge products and manufacture. Recognizing the value of international co-operation in today's business world, we will also be actively seeking opportunities to engage in strategic partnerships or joint ventures with major suppliers, customers and competitors, with an eye on stabilizing cost of materials and enhancing our marketing capabilities.

Acknowledgements

Finally, it is with sincere gratitude that I record my thanks to fellow members of the Board of Directors, the management and of course the Group's entire staff team for their vision, commitment and support across the year. I also wish to thank our bankers, suppliers, shareholders and customers for their loyalty and co-operation. The Group's achievements over the past year show its spirit of resilience and commitment, and it will be these qualities on which we build our future success.

Kan Shiu Cheong, Frederick

Chairman

Hong Kong

19th July, 2002