

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 2002.

RESULTS

The Group reported a total turnover of approximately HK\$283.3 million and a profit attributable to shareholders of approximately HK\$15.2 million for the year ended 31 March 2002. Basic earnings per share was HK3.4 cents, based on the weighted average of 440,176,370 ordinary shares in issue during the year.

BONUS ISSUE OF SHARES AND DIVIDEND

On 31 August 2001, a bonus issue of shares of the Company on the basis of one new ordinary share to every four existing ordinary shares held was made to all shareholders whose names appeared on the register of members of the Company on 31 August 2001.

The Board of Directors recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31 March 2002 to all shareholders whose names appear on the register of members of the Company on 5 September 2002. This, together with the interim dividend of HK0.5 cent per share already paid on 9 January 2002, will bring the total dividend for the year to HK2.0 cents per share.

BUSINESS REVIEW

Competition within the printing industry continued to be severe for the year under review. The global economic slowdown, aggravated by the September 11 terrorist attacks in the United States, has made the operating environment of the industry even more difficult in the second half of the year. For the year ended 31 March 2002, the Group reported a decline of about 4.7% in its total turnover to approximately HK\$283.3 million as compared to the Group's total turnover of approximately HK\$297.3 million of the previous financial year. Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children novelty books and commercial printing continued to be the Group's major business activities. For the year under review, about 75.6% of the Group's total turnover was attributed to the printing and manufacture of packaging boxes, accompanying brochures, manuals and catalogues whilst about 5.8% of the Group's total turnover was attributed to the printing and manufacture of hangtags, labels, shirt paper boards, plastic bags and about 18.6% of the Group's total turnover to commercial printing. The Group has terminated all its investments in the Internet on-line games business following the completion of all the conditions of the Disposal and Share Repurchase Agreement entered into between the Company and Sega.com, Inc. dated 6 February 2001 on 7 May 2001. For the year ended 31 March 2002, no turnover was reported from this discontinued business activity.



Cardboard and corrugated boxes for toys & gift items

CHAIRMAN'S STATEMENT



Gift boxes

The printing business activities of the Group continued to make positive and steady contributions towards the Group both in terms of operating profit and cashflow. For the year under review, the Group recorded an operating profit of approximately HK\$17.8 million, which has taken into account of a net gain of about HK\$1.1 million from the disposal of the discontinued Internet on-line games business and a provision for a revaluation deficit of about HK\$5.0 million on the Group's leasehold land and buildings and investment properties not covered by previous

revaluation surplus. Had the impact of the aforesaid net gain and the provision of revaluation deficit been excluded, the operating profit of the Group's printing business for the year ended 31 March 2002 would have been at approximately HK\$21.7 million.

The Group finances its operations with internally generated cashflow mainly from its printing business activities as well as through banking facilities provided by its principal bankers in Hong Kong. The Group is financially sound. As at 31 March 2002, the Group's cash and bank balances and short term bank deposits amounted to approximately HK\$79.1 million and had un-utilized available aggregate banking facilities amounted to approximately HK\$40.8 million which were secured by legal charges on certain properties owned by the Group. The Group's gearing ratio as at 31 March 2002 was 2.5%, basing on the short term and long term interest bearing bank borrowings of HK\$7.8 million and the shareholders' equity of HK\$308.6 million. The Group's gearing ratio of the previous financial year was 4.2% and was based on the short term and long term interest bearing bank borrowings of HK\$18.3 million and the shareholders' equity of HK\$439.5 million.



Hangtags, labels and other paper products

For the year under review, despite of the difficult operating environment of the printing industry leading to a decline in the Group' total turnover, the Group has managed to achieve an improved gross profit margin of 28.5% as compared to that of last financial year at 23.9% through streamlined production efficiency, tightened internal controls and monitored purchasing policy. The disposal of the loss making Internet on-line games business by the Group has also helped achieve cost savings of about 9.8% in selling and distribution expenses and about 6.1% in the administrative expenses.

In July 2001, the Group entered into an agreement with an independent third party private company (the "Borrower") for the subscription of a convertible redeemable note (the "Note") for HK\$24 million at an interest rate of 8% per annum payable every quarter in arrears (the "Note Agreement"). The private company is engaged in the undertaking of maintenance building works

from the Hong Kong SAR Government as a subcontractor . 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. In accordance with the Note Agreement, if there are events the occurrence of which would have an adverse impact on the Borrower's financial position, the Note will become immediately due and payable. For the year under review, interest payment of HK\$1.4 million has been made by the Borrower. On 22 May, 2002, the Group issued a demand letter to the Borrower for the repayment of the principal of HK\$24 million together with the accrued interest on the basis that the Directors became aware of certain events which they believe might have an adverse impact on the Borrower's financial position. Upon the failure to reach an immediate settlement agreement with the Borrower, the Group filed for winding up petition against the Borrower in the High Court of Hong Kong SAR on 14 June, 2002. On 17 July, 2002, the Directors reached a settlement agreement with the Borrower for the full repayment of the Note and the Borrower has made prompt settlement of the first instalment in accordance with the settlement agreement. Accordingly, the petition against the Borrower was withdrawn by the Group on 17 July, 2002. Having considering the Borrower's timely settlement of the interest for the Note for the year under review and the payment of the first instalment in accordance with the settlement agreement, the Directors considered that notwithstanding the fundamental uncertainty surrounding the recovery of the outstanding principal amount of the Note of HK\$23.5 million as at the date of the Annual Report, no provision thereof was required to be made. The Directors will take the necessary actions to recover the remaining outstanding amount of the Note and will review the situation on an on-going basis and make provision, if necessary, when deemed appropriate. The Note has been classified as a note receivable under current assets and non-current assets as at 31 March, 2002 in accordance with the terms of the settlement agreement.

PLANS AND PROSPECTS

The Directors believe that the competition within the printing industry will continue to be keen. Customers will be more cautious in placing their orders under an uncertain global economic environment. In order to maintain its competitiveness, every effort will be made by the Group to improve its operational efficiency and production flexibility. Endeavour will also be made to strengthen the Group's marketing team and to promote for more proactive marketing strategy. Product ranges will be expanded for a wider customer base both locally and overseas. The accession of China to the World Trade Organisation represents another market opportunity which the Group will explore with prudence.



The Group is well-equipped with advanced machinery

The commitment to use advanced machinery and technology has been facilitating the Group to achieve production efficiency, product excellence and to consolidate its position as one of the leading printers in packaging and commercial printing. The Group will continue to keep abreast of

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the latest printing technology. To this end, the Group has already brought in the digital printing technique. The Group has also invested in computer-to-plate system to meet the increasing demand for filmless printing. The system is expected to start production shortly.

Given the solid foundations of the Group, the Directors are confident that the performance of the Group will make a marked improvement as soon as the global economy turns around.



Children novelty books

CONTINGENT LIABILITIES

At the balance sheet date, the Company provided corporate guarantees to its principal bankers for the provision of general banking facilities to its subsidiaries to the extent of HK\$47.2 million as compared to HK\$69.9 million of last year.



The Group's modern production facilities at Dasha Industrial Area, Dalingshan Town, Dorguan, the PRC

EMPLOYMENT AND REMUNERATION POLICIES

During the year under review, the Group had an average available workforce of approximately 1,100, of which approximately 960 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 on an annual basis and bonus paid, if any, will also be 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

On behalf of the Board of Directors, I would like to thank all our staff for their dedication and contribution and our customers, suppliers, business associates and shareholders for their continuous support.

Lui Chi
Chairman

Hong Kong, 24 July, 2002