

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual results of New Spring Holdings Limited (the "Company") for the year ended 31st March 2002.

GROUP RESULTS

Total turnover of the Group for the financial year ended 31st March 2002 was HK\$162,904,000, which was 14% higher than that of last financial year of HK\$143,329,000. Profit attributable to shareholders was HK\$29,342,000, which was 8.9% higher than that of 2001, with an amount of HK\$26,940,000.

FINAL DIVIDEND

The Directors recommended, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of HK\$0.1 per share (2001: Nil) for the year ended 31st March 2002, totaling HK\$18,000,000 (2001: Nil) which is to be payable on 30th August 2002 to shareholders whose names appear on the Register of Members as at 19th August 2002.

OVERVIEW

The financial year 2001/02 marked an important milestone in the Group's development. The Group is pleased to announce these encouraging first year results after our successful listing in November last year. With our established and solid foothold in the industry, aggressive and well-prepared expansion plans and prudent financial cost control systems, we took pride in reporting sustained growth in our business performance during the year despite the depressed global economic environment. Building on our strong reputation, well-focused and successful business model and extensive experience in the market, we look forward to highly promising prospects in the years to come.

The year 2001 to 2002 presented a challenging year for the global economy. Competition was extremely keen everywhere, with no exception in the packaging and printing industry. The Group has experienced severe competition with the persisting recession, has faced many difficulties and expects more ahead. However, the Group managed to successfully exercise its dynamic strategies to diversify its market and broaden its revenue sources. The significant turnover from the PRC, amounting to HK\$27,102,000, a surge of 5 times of that of last year was the best proof of the Group's dedication and commitment to explore the PRC market and its persistence in producing top quality packaging products to satisfy customers' demand.

Our business in Hong Kong and the PRC grew significantly and performed satisfactorily during the year, which was mainly due to our quality products with their elegant and modern design and our ability to respond promptly to changing market needs. In particular, the promotion products business in turnover experienced a surge of 2 times of that of last year. Backed by a team of talented sales and marketing professionals, our customers base has expanded with a further increase of approximately 20 and 30 customers respectively in Hong Kong and the PRC, yet another proven success in reaching targeted customers.

THE GROUP'S BUSINESS

The Group is principally engaged in the manufacturing and trading of packaging products, paper gift items and promotional products in accordance with customers' designs and specifications. The Group has over 350 customers including distributors, manufacturers of consumer products and advertising agencies. Most of the Group's products are sold to the distributors or manufacturers based in Hong Kong.

THE PACKAGING PRODUCTS DIVISION

The packaging products division saw a decline in turnover of about 10.8% due to the decrease in demand for packaging boxes for toys and consumer goods in view of the sluggish global economy. This division accounted for 55% and 46% of the Group's turnover and profit from operations respectively. We expect improvements in this division in the forthcoming year as there is a steady growth in orders of wine boxes from breweries in Chengdu, the PRC.

PAPER GIFTS DIVISION

Though economic conditions in the United States of America were depressed during the year, we were able to maintain steady business growth in this division. This was mainly due to our high technology, elegant and modern design ensuring quality products which satisfy our overseas customers' need. The Group expects the US economy to recover shortly when more orders will be placed with this division.

PROMOTIONAL PRODUCTS DIVISION

This division's turnover had a surge of 2.6 times of that of last year. This was due to the efforts of our sales and marketing team to generate income from international advertising agents. Our innovative technology and materials, capable of producing top-quality promotional products was the main growth driven in the division. The division accounted for 22% and 28% of the Group's turnover and profit from operations respectively.

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FINANCIAL POSITION AND LIQUIDITY

The Group's capital expenditures during the year amounted to HK\$11 million. As at 31st March 2002, there was a commitment of HK\$19 million for purchasing printing machines in the year ahead.

During the year, the Company raised funds of approximately HK\$34 million from allotment and issue of the new shares on the Main Board of the Stock Exchange. The Group also finances its operations with internally generated cash flow and loan facilities from banks. At 31st March 2002, we had total bank borrowings of HK\$30 million of which HK\$2 million was in Renminbi and HK\$28 million was in Hong Kong Dollars. The Group had a rather low risk to foreign exchange exposure as only a small portion of assets and liabilities were denominated in foreign currencies.

At 31st March 2002, the Group's cash and bank balances amounted to HK\$15 million and had total assets of approximately HK\$179 million. Current assets of the Group on the same date amounted to approximately HK\$104 million whilst current liabilities were HK\$48 million. The gearing ratio, calculated by dividing total debts by total assets of the Group, was to 0.17 as at 31st March 2002.

PROSPECTS

Looking ahead, prospects in the enormous PRC market remain bright after its triumphant entry into WTO. We believe this will create huge potential for our business as strong demand for consumer goods in the PRC market increases. We are confident that the contribution from the PRC market will further increase in FY 2002/03.

As we expect the world's economy to gradually improve, we will seek to increase our tempo and power to identify beneficial opportunities that will allow us to expand our market presence, not only in the PRC, but also in North America and Europe. With the Group's strong management and widespread experience in the industry, we believe the Group will become one of the leaders in the packaging and printing market in the region.

NUMBER AND REMUNERATION OF EMPLOYEE, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES

As at 31st March 2002, the Group employed a total of approximately 317 staff for its operations in Hong Kong and the PRC. An additional work force of approximately 1,424 were provided by Sha Jing factory in the production facilities in Sha Jing under the Processing Agreement.

APPRECIATION

We would like to take this opportunity to extend our heartfelt appreciation to our management team and staff for their dedicated efforts and significant contributions to the Group. We would also like to express our gratitude to our business partners and shareholders for their continued support in the past and for the coming years.

NG Man Chan

Chairman

Hong Kong, 30th July 2002