

## *Chairman's Statement*



### **FINAL DIVIDEND**

The directors recommend the payment of a final dividend for the year ended 31st December, 2002 of 5 cents per share (2001: 4.5 cents per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 12th May, 2003. This dividend together with the interim dividend of 1 cent per share (2001: 2 cents per share), will make a total of 6 cents per share for the year (2001: 6.5 cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about 16th May, 2003.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 9th May, 2003 to 12th May, 2003, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong at Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on 7th May, 2003.

### **BUSINESS REVIEW**

During the year, the turnover of the Group was decreased by about 6% to approximately HK\$317,256,000, while the net profit for the year was approximately HK\$29,936,000 representing a growth of about 4%, which was a fairly satisfactory result under such a tough economic situation, and as a result of the Group's continuous control on production costs.

The decrease in turnover was mainly due to the fact that both the global and local economies have not yet been recovered from the past few years' recession. Globally, the outbreak Iraq War increases to the uncertainty of the recovery of the US economy, and the European economies are not so prosperous, while locally, Hong Kong remains less competitive comparing with other countries in the Asia Pacific region due to the high labour and land costs, together with the pegged exchange rate with US Dollar. As a result, unemployment and deflation stood at high level.

Nevertheless, the net profit for the year was increased by about 4% in spite of the decrease in turnover by about 6%. Such a result was mainly due to the tremendous efforts made by the Group in controlling the costs of production and finance expenses. It is the Group's target to continue improving its production efficiency through cost control, resources reallocation and any other method as the board deem appropriate.

### **FUTURE PLAN & PROSPECT**

With available funds on hand, the Group continues to seek carefully and prudently for investment opportunities. At present, the Group places its available cash at certain high-yield deposits to earn more interest income.

The Group continues to expand its core businesses gradually with available internal resources. At the date of this report, the Group has already authorised but not yet contracted to purchase plant and machineries of approximately HK\$5 million in order to increase the production capacities in packaging products.

## Chairman's Statement

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In order to further expand its range of products, the Group in December 2002, formed a new non-wholly owned subsidiary, Leader Stationery & Gifts Manufacturing Company Limited, for the manufacture of stationery and gift items in 2003.

In view of the market atmosphere and customer demand for the Group's products at the present moment, the Directors are prudently optimistic that the performance of the Group in 2003 will be improved.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### SEGMENT RESULTS

##### Novelties and decorations

There are always tremendous demands for the items. The turnover of this sector for the year remained constant amounting to approximately HK\$149,544,000. However, the price and profit margin were not as high as before. Due to increase in competition as a result of China becoming the member of WTO, for example, certain costs tend to increase, such as wages, the segment result thereof decreased by about 35% to approximately HK\$18,424,000. As such, although the turnover in dollar term did not increase, the volume did increase and the directors are confident that the Group will continue to be the major supplier in the market and the contribution from the segment will continue to be stable.



##### Packaging products

The turnover of packaging products was slightly decreased by about 3% to approximately HK\$128,738,000, while the segment result was increased by about 13% to approximately HK\$16,547,000. Such increase in segment result was mainly due to the development of new products that are scarce in the market, while both the segment results of printing products and corrugated products decreased sharply as a result of keen competition and the increase in the price of raw materials.

During the year, new printing machines were purchased and installed. In order to improve the competitiveness of the Group, a budget of HK\$5 million was also approved to purchase various kinds of machines for manufacturing of packaging products.

##### Trading activities

As a result of the Group's continuous credit policy, the turnover of the trading of PVC film and plastic materials dropped sharply by about 28% to approximately HK\$38,974,000, and recorded a net loss of approximately HK\$503,000 for the year. It was still a tough year for the trading activities, since the local economy continued to be sluggish during the year. Risk was relatively much higher than other segments. Bad debts therefrom shared 48% of the Group's total, while its turnover only shared 12% of the Group's total. Since the Group plans to reconstruct the segment in the near future, it is expected that the performance may be improved in 2003.



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## Investments

To well utilise the available cash on hand, the Group has invested in the securities of several unlisted companies in different industries as long-term investments. As at 31st December, 2002, the total investments therein was approximately HK\$3,810,000 (2001: HK\$4,024,000). All of these investments were held in convertible notes or preferred shares, which ensured the earning of regular income from the investments.

Investment in listed securities is held for short-term purposes for the capital gain in the value of the securities. As at the balance sheet date, the market value of investment in securities was approximately HK\$4,840,000 (2001: HK\$8,097,000).

## Liquidity and financial resources

The Group had neither long-term bank borrowings nor short term bank borrowings outstanding as at 31st December, 2002 (2001: Nil), and no charge has been made on any assets of the Group. The gearing ratio of the Group, being measured by total bank and other borrowings divided by equity, was nil for the year (2001: Nil).

As at balance sheet date, the Group had bank balances and cash in aggregate of approximately HK\$73,482,000 (2001: HK\$47,213,000).

With an aggregate of HK\$187 million in cash and other current assets as at 31st December, 2002 as well as available banking facilities, the Group considers that it has sufficient financial resources to satisfy its commitments and working capital requirements.



## Net Asset value

The net asset value of the Group as at 31st December, 2002 was HK\$0.84 (2001: HK\$0.78) per share based on the actual number of 270,001,607 shares in issue (2001: 283,071,607 shares) on that date.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2002, the Group employs approximately 1,500 full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

## FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar, with some in Reminbi and Euro Dollar. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exchange risk exposure in such area.

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In relation to other currencies, the Group will closely monitor their trends in relation to US Dollar and will engage in exchange rate hedges when necessary.

As at the balance sheet date, the Group did not use any financial instrument for hedging purposes.

### CORPORATE GOVERNANCE

The Company has, throughout the year, complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month of repurchase	Number of shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
July 2002	5,382,000	0.62	0.55	3,265
August 2002	1,006,000	0.63	0.62	633
September 2002	2,772,000	0.60	0.54	1,590
October 2002	1,790,000	0.60	0.57	1,047
November 2002	1,400,000	0.62	0.61	869
December 2002	720,000	0.62	0.58	446
	<u>13,070,000</u>			<u>7,850</u>

### AUDIT COMMITTEE

The Stock Exchange revised the Code of Best Practice in 1998 as set out in Appendix 14 of the Listing Rules which requires listed companies to establish an audit committee with written terms of reference which deal with its authority and duties. Amongst the committee's principal duties will be to review and supervise the Company's financial reporting process and internal control. The Company set up an audit committee in December, 1998 with written terms of reference in accordance with the requirements of the Stock Exchange. The audit committee comprises of the Company's two independent non-executive directors.

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### APPRECIATION

Finally, I would like to take this opportunity to thank all my fellow directors and the staff for their contributions and cordial support during the year.

On behalf of the Board

**Poon Siu Chung**  
*Chairman & Managing Director*

Hong Kong, 27th March, 2003

