

CHAIRMAN'S STATEMENT

RESULTS

As the Group moves towards full financial stability, much progress is still being made in areas such as debt restructuring, cost reduction and improving productivity in its core operations. The efforts of the Board of Directors and management team to successfully restructure the Group's financial situation over the past year are evident in the 2003 final results. I am pleased to report that turnover for the year ended 31st March increased by about 15% to HK\$370,576,000 and the Group saw a more than 52% cut in financial interest costs from HK\$2,404,000 versus HK\$1,139,000 in 2003.

While the 2003 profit is shown to have fallen by 85% to HK\$1,773,000 over last year, the 2002 profit of HK\$12,150,000 was in fact ballooned by a non-recurrent gain of about HK\$10,000,000. Despite a significant rise of between 5% and 10% in prices for raw materials such as paper and PVC in 2003, the Group's actual operating profit experienced only a slight drop from the previous year while administrative expenses remained constant at HK\$46,521,000 (a 1% increase over 2002).

Having progressed well with the first phase of restructuring, these results reflect the Group is financially sound while maintaining its competitiveness and strong market presence.

MANAGEMENT

The management had undergone a series of changes over the past 2 years and has now gained a sense of stability. The present leadership, along with the progress made in financial restructuring, has provided the Group with a positive perspective from bankers, clients, suppliers and employees. Communication and workflow between different departments within the Group have also greatly enhanced as a result of a streamlined management team.

FINANCIAL STABILITY

The Group's focus on debt reduction and restructuring this year has resulted in the repayment of all old debts by July 2002, with some repayment obligations met 6 months before their stipulated maturity. The success of this aggressive-yet-prudent approach towards debt financing has given the Group a fresh start and an increased level of support within the financial community.

Given the current environment of low interest rates and favourable Group outlook, about HK\$93,000,000 in trading facilities was cautiously put in place to finance the Group's core businesses and at year-end about 66% of the facilities had been responsibly utilised at an acceptable gearing ratio of 55%.

The Directors will continue to monitor the financial market and act accordingly in the best interests of the Group.

BUSINESS REVIEW AND PROSPECTS

While the overall market sentiment remains low – in view of global events such as SARS, the conflict in Iraq and the aftermath of September 11 – the Group's position and reputation in the paper products industry remain strong. Despite an increase in competition, the Group continues to build relationships with existing and new clients. The strategy of directing the Group's sales and marketing efforts in the European market, in particular, has resulted in an increase in orders following the decision in 2001 to terminate the exclusive sales agreement with Filex Paper Converter Limited. The Group believes its performance in the European market will rebound further in the coming year.

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Relationships with major US mega-store retailers such as Wal-Mart are being maintained. The Group will continue reinforcing and diversifying their relationships with major clients that will grow in the future through better communication services and adaptation to their new business strategies.

Rather than entering into price wars with competitors in the low-end market, the Group will focus on improving quality and profit margins in lines with its in-house brands such as "Easyfil", "Topics" and "Greenery". It has successfully built reputations for being well-designed and of high quality in the expanding Mainland China market. By improving quality, the pricing levels can be adjusted upwards to compensate for any possible decreases in sales figures.

This emphasis on high-quality and well-designed products is also being applied to the Group's substantial OEM business, and pricing levels have indeed risen since it was introduced in March 2003.

FUTURE DEVELOPMENTS

While the Directors have dramatically improved the Group's financial stability, some work remains to be finalised in this area over the coming year. As such, the paper product business shall remain the Group's core activity. Commencing on the second phase of restructuring, the Group will improve overall production efficiency and continue to enhance the design teams and offer more cutting-edge products in the mid to high-end range. The implementation of production improvements to generate higher profit margins will occur in 2003 and beyond, while diversification into packaging will remain in the planning stages.

The Directors recognise that these efforts to improve profit margins may result in lower turnover in the short term, but are confident that the Group will continue moving towards producing higher quality products while exploring more substantial business opportunities with new and existing clients.

ACKNOWLEDGEMENTS

Finally, I would sincerely like to thank the Board of Directors, the management team and all of the staff who are working so hard to achieve our goals in the midst of difficulties. I must also thank all of our bankers, suppliers, shareholders and customers for their faith, encouragement and co-operation. I believe we can build on our early success with the same dedication and commitment that you have all shown in the past as we work towards a brighter and more profitable future.

Kan Shiu Cheong, Frederick

Chairman

11th July, 2003