Chairman's Statement

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 2003.

RESULTS

The Group reported a total turnover of approximately HK$371 million and a loss attributable to shareholders of approximately HK$6 million for the year ended 31 March 2003. Basic loss per share was HK1.4 cents, based on the weighted average of 419,748,674 ordinary shares in issue during the year.

DIVIDENDS

The Board of Directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year ended 31 March 2003 to all shareholders whose names appear on the register of members of the Company on 5 September 2003. Subject to the approval of shareholders at the forthcoming annual general meeting, dividend cheques will be sent to shareholders on or before 11 September 2003. This, together with the interim dividend of HK1 cent per ordinary share already paid on 12 February 2003, will bring the total dividend for the year to HK3 cents per ordinary share.

BUSINESS REVIEW

For the year under review, the Group reported a total turnover of approximately HK$371 million. This represented an increase of approximately 30.97% to that of the corresponding year ended 31 March 2002 of HK$283.3 million. Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children's novelty books continued to be the Group's major business. At the endeavour of the Group to continuously enhance its production flexibility and operational efficiency, together with the adoption of a more proactive marketing strategy and strengthened marketing team during the year, the Group has been able to achieve a 36.2% growth in this category. Orders from both the existing and new customers have increased by about HK$77.6 million to HK$291.7 million and which was about 78.6% of the total turnover of the Group for the year ended 31 March 2003. The Group has also seen a growth in the turnover of commercial printing and the manufacture of hangtags, labels, shirt paper boards and plastic bags through its commitment to provide

quality products and value added services. For the year under review, the turnover of commercial printing and the manufacture of hangtags, labels, shirt paper boards and plastic bags have increased by HK$4.2 million to HK$57 million and HK$6 million to HK$22.3 million respectively and which were about 15.4% and 6% of the Group's total turnover for the year ended 31 March 2003. Intensive price competition within the industry and rising paper costs during the year continued to impose a downward pressure to the profit margin of the Group. For the year ended 31 March 2003, the gross profit margin of the Group dropped by 3.2% to 25.3% as compared to its gross profit margin of 28.5% of the previous corresponding year ended 31 March, 2002. However, with sound cost control measures in place and the devoted effort of our dedicated staff, the Group has been able to manage the operating expenses effectively. For the year under review, the administrative expenses of the Group were in the amount of approximately HK$62.8 million, representing 16.9% of the Group's total turnover of HK$371 million as compared to that of last year of HK$60.3 million, representing 21.3% of the Group's total turnover of HK$283.3 million for the year ended 31 March 2002. The selling and distribution expenses as well as the other operating expenses remained relatively stable at about 3% and 2% of the Group's total turnover respectively for both the year under review and that of the corresponding period of last year.

The Group's printing business continued to provide positive and steady contributions both in terms of operating profit and cashflow. However, the Group reported a loss from operating activities of about HK$2.8 million and a net loss from ordinary activities attributable to shareholders of about HK$6 million after the finance costs and taxation charges for the year under review. This was mainly due to a provision for a revaluation deficit of about HK$6.2 million on the Group's leasehold land and buildings and investment properties not covered by previous revaluation surplus and a provision for the recovery of the outstanding principal amount of the Note of HK$23.5 million and the accrued interest of HK$1.2 million. 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 Borrower 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 was convertible into ordinary shares prior to its maturity in July 2003 by the Group. If the Note was not converted, it would be redeemed at par. In accordance with the Note Agreement, if there were events the occurrence of which would have an adverse impact on the Borrower's financial position, the Note would become immediately due and payable. Up to 31 March 2002, 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 outstanding principal of HK$24 million together with the accrued interest on the basis that the Directors became aware of certain events which they believed 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. On 27 August 2002, the Group issued a demand letter again to the Borrower for the repayment of the outstanding principal of HK$23.5 million together with the accrued interest upon the failure of the Borrower to meet the second instalment in accordance with the settlement agreement. On 18 September 2002, the Group filed for winding up order against the Borrower in the High Court of Hong Kong SAR upon the failure of the Borrower to make the settlement as stipulated by the demand letter. On 20 November 2002, the Borrower was ordered wound-up by the High Court and provisional liquidator was appointed pending the first meeting of creditors. In view of the development of the situation, the Directors consider it appropriate to make a full provision for the recovery of the outstanding principal amount of the Note of HK$23.5 million and the accrued interest of HK$1.2 million as at 20 November 2002. Had such full provision and the provision of the revaluation deficit as mentioned above been excluded, the operating profit of the Group's overall printing business for the year under review would have been at approximately HK$28.1 million and the net profit from the Group's overall printing business attributable to shareholders after the finance costs and taxation charges would have been at about HK$25 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. The Group is financially sound. As at 31 March 2003, the Group has available aggregate banking facilities of approximately HK$42.9 million which were secured by legal charges on certain properties owned by the Group. The Group's cash and bank balances and short term bank deposits as at 31 March 2003 amounted to approximately HK$57.4 million. The Group's gearing ratio as at 31 March 2003 was below 1.0% (31 March 2002: 2.5%), basing on the short term and long term interest bearing bank borrowings of HK$0.1 million (31 March 2002: HK$7.8 million) and the shareholders fund of HK$295.4 million (31 March 2002: HK$308.6 million).

PROSPECTS

The Directors believe that the Group will continue to face intensive pricing competition within the printing industry as customers will continue to be cautious and selective in placing orders under the prevailing uncertain global political and economic environment. In order to enhance its competitiveness without at the expense of reduced profit margin, every effort will continue to be made by the Group to improve its operational efficiency and production flexibility through well trained production teams, streamlined production procedures, effective internal controls, well planned logistics and updated production technology. And in order to explore further market share especially during the traditional low season within the industry, proactive marketing strategy will also continue to be implemented. Endeavour will be made to provide for more high quality products mix and value added services to meet the needs from customers in every aspect.

The Group is well equipped with advanced machinery and its commitment to use state-of-the-art technology has been facilitating the Group to consolidate its position as one of the leading printers in packaging and commercial printing. The Group has already brought in the digital printing technique and computer-to-plate system for its production. It will further acquire additional advanced printing machines in order to respond readily to the increasing strong demand from customers for prompt deliveries and reliable high quality products.

The Directors believe that with its solid foundation and committed focus, the Group is well positioned to maintain its competitiveness and meet the ever increasing challenges within the marketplace.

EXCHANGE RATE EXPOSURE

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 March 2003, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars, Renminbi and US dollars were relatively stable and no hedging for foreign currency transactions has ben carried out.

CONTINGENT LIABILITIES AND CHARGES ON ASSETS

As at 31 March 2003, corporate guarantee amounting to HK$44.9 million were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK$10.3 million.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2003, the Group had an available workforce of 2,207, of which 2,052 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 bonuses paid, if any, will be based on performance appraisals and other relevant factors. Staff benefits 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.

By Order of the Board
Lui Chi
Chairman

Hong Kong, 25 July 2003