

RESULTS

The consumer spending confidence level world-wide had remained low throughout most part of the financial year 2003 due to the continued weak world economy, especially in the US and Europe. The outbreak of SARS in the first quarter of the year totally disrupted business activities in Hong Kong, Asia, and North America during that period, thus hurting and further delaying the economic recovery and growth in these regions.

Due to the overall adverse economic climates, the Group's total turnover for the financial year ended 31 December, 2003 was HK\$191.9 million, a decrease of 12.3% or HK\$27.0 million as compared with HK\$218.9 million reported in the last financial year ended 31 December, 2002.

Despite the decrease in the Group revenue, operating profit improved from HK\$27.3 million to HK\$33.9 million. The Group's profit attributable to shareholders for the year was HK\$28.9 million, an increase of HK\$4.1 million or 16.5% from the last financial year.

Basic earnings per share for the financial year 2003 stood at 0.90 Hong Kong cent, compared with 1.10 Hong Kong cents for the last year. The earnings per share for the year was lowered as a result of the increase in number of issued shares from the total conversion of a convertible note payable.

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK\$0.0035 per share to our shareholders whose names appear on the register of members of the Company on 6 May, 2004. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or about 20 May, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 3 May, 2004 to Thursday, 6 May, 2004 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the Annual General Meeting of the Company to be held on Thursday, 6 May, 2004 and to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Secretaries Limited, the branch share registrars of the Company in Hong Kong at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 30 April, 2004.

BUSINESS REVIEW

As reported in the interim announcement, the improved business in the beginning of the year could not be sustained. The outbreak of the Iraq war and SARS restrained economic recovery soon after. The tension from terrorism continued to depress sentiments for consumer spending, which led to a decline in demand for packaging products.

Operating profit was, however, improved by the gain arising from improved product mix in the sales of packaging products, in the introduction of new high end design lines, as well as profit on disposal of a convertible note and decrease in interest expenses.

The decrease in demand for packaging products has resulted in keener competition. In spite of the downward pressure on the average selling price of our products during the second half of the financial year, which resulted in a drop of 10% from the first half, the Group's superior product quality and service both before and after sales had enabled the Group to enjoy improved average selling prices in the first six months. These increases helped to offset the average selling price erosion later on in the year.

The Group's consistent sales development efforts yielded a 23% increase in sales volume in terms of quantity in the second half over the first half of the financial year. With the increase in sales of the higher end packaging products, together with effective and efficient cost controls in the areas of purchasing, distribution and administration, we believe we are experiencing an upward trend to our business.

Lower sales to the optical sector were recorded in the current financial year as compared to that in last year, and, although the demand from the other consumer sectors was 6% lower than the financial year 2002 as a result of the decrease in sales, the result is still encouraging.

In the last financial year, North America was geographically the Group's major market. With growth in sales for the financial year 2003 in the European market, both regions contributed to the Group revenue in approximately equal proportions.

FUTURE PROSPECTS

As there are definite signs that the US and Europe economies, and even the local one, have started to pick up, the Group considers the overall business environment to be much more positive. We are already witnessing an upsurge of business in the new financial year.

To widen our customer base, and to increase our revenues and profits, the Group is actively taking part in exhibitions of items other than luxury goods, such as household products, kitchen wares, premiums, and other notable consumer items. The Group will keep abreast of these new business opportunities.

Of significance, the Group considers that the time has come to venture into the huge Chinese market, particularly in the areas associated with domestic consumer spending and the booming tourist industry. The Chinese manufacturers and consumers are now much more critical in the standard of packaging for consumer items. There has been a longstanding void in the supply of good packaging ideas and products in China. The rising competition among Chinese business rivals means that more emphasis and investments have now to be placed in the area of packaging. The Group has started to look for business opportunities to work singly, or jointly with existing Mainland packaging companies, making use of existing networks, to enjoy the benefits of a new and exciting market in China.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

At 31 December, 2003, the Group's net worth was HK\$526.2 million compared with HK\$354.4 million as at 31 December, 2002. The increase was attributable to a total of 1,562,500,000 shares issued during the year following the conversion of the convertible note payable into shares of the Company in June 2003 and retained profits for the year.

Liquidity and Financial Resources

Steady operational cash inflow has further strengthened the Group's liquidity. As at 31 December, 2003, the Group had cash in hand of HK\$200.6 million and had no external borrowings. Net cash inflow from operating activities during the year amounted to HK\$21.1 million (2002: HK\$11.9 million).

Approximately 71.2% of cash and deposits are denominated in United States dollars and 28.8% are denominated in Hong Kong dollars.

The Group's trade receivables are mainly invoiced in Hong Kong and US dollars and have no significant exposure to foreign exchange risk. The Group does not currently undertake any foreign exchange hedging activity.

Capital Expenditure

During the year, the Group invested HK\$2.7 million in plant, machinery, equipment and other tangible assets. This was financed primarily from internal resources.

Employees

As at 31 December, 2003, the Group had approximately 3,500 employees, the majority of whom are employed in the PRC. The Group continued to maintain its discretionary bonus programme with reference to market and performance of individual employees. Other policies such as medical benefits and insurance remained the same.

Pledge of Assets

At 31 December, 2003, the Group has pledged its leasehold properties with an aggregate carrying value of approximately HK\$6,695,000.00 (2002: HK\$6,853,000.00) as security for general banking facilities granted to the Group.

Investments

As at 31 December, 2003, the Group had investments in convertible notes issued by two companies listed on The Stock Exchange of Hong Kong Limited of HK\$32 million and HK\$10.5 million respectively.

Subsequent to the balance sheet date, the group had converted a convertible note receivable to the value of HK\$20,400,000.00 into shares of a company listed on the Stock Exchange. The Group has since disposed of 10 million shares of the aforesaid company.

Contingent Liabilities

At the balance sheet date, the Company had contingent liabilities in respect of guarantees amounting to HK\$20,000,000.00 given to banks for general banking facilities granted to subsidiaries. The banking facilities were not utilized as at 31 December, 2003.

Use of Proceeds

As discussed in the interim report, the entire principal amount of the convertible note payable of HK\$150 million was converted into shares of the Company resulting in a total of 1,562,500,000 shares issued during the year. The proceeds, which have not been applied for use, are placed on deposit with banks, and form an integral part of the net cash balance at 31 December, 2003, as disclosed under "liquidity and financial resources".

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff member for their dedication and hard work, our customers for their support, and our shareholders for the trust and support during the year.

Lam How Mun Peter

Chairman

Hong Kong, 26 March, 2004