

Chairman's Statement



RESULTS

The Directors are pleased to announce that the audited consolidated results for the year ended 31st December, 2003. Total turnover for the year amounted to approximately HK\$315,357,000 (2002: HK\$317,256,000). The net profit stood at approximately HK\$18,175,000 (2002: HK\$29,787,000, as restated). Earnings per share were 6.55 cents (2002: 10.68 cents, as restated).

FINAL DIVIDEND

The directors recommend the payment of a final dividend for the year ended 31st December, 2003 of 3.5 cents per share (2002: 5 cents per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 18th May, 2004. This dividend together with the interim dividend of 0.5 cent per share (2002: 1 cent per share), will make a total of 4 cents per share for the

year (2002: 6 cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about 28th May, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 17th May, 2004 to 18th May, 2004, 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 14th May, 2004.

BUSINESS REVIEW

During the year, the turnover of the Group was slightly decreased by 0.6% to approximately HK\$315,357,000, while the net profit for the year was approximately HK\$18,175,000 representing a decrease of about 39%. The result was not satisfactory and was mainly due to the following reasons: (1) the provision for a debt due from one of the Group's major customers, (2) the intense competition resulting in the decrease of profit margin of the Group's products, and (3) the occurrence of epidemic and regional war in the first half of 2003.

Owing to the outbreak of the Iraqi war in the Middle East and the Severe Acute Respiratory Syndrome ("SARS") epidemic in Hong Kong and in its adjacent regions in the first half of the year under review, both the global and local economies were adversely affected.

Staff costs continued to increase substantially and at a rate much higher than the turnover did. The total staff costs for 2003 was approximately HK\$6 million more than that in 2002. This was mainly due to the increment of wages in the PRC.

Finance costs were still kept at a very low level since the Group had abundant cash on hand, which had been deposited into foreign currency deposits to earn higher return of interest income and the potential capital gain thereon.

FUTURE PLAN & PROSPECT

The Group with available funds on hand, continues to seek prudently for investment opportunities, such as Perfectech International Manufacturing Limited ("PIML") (formerly known as "Rich Success Profits Limited") which the Group acquired in 2003. At present, the Group uses its available cash on certain kinds of high-yield deposits to earn more interest income.





At the same time, the Group also concentrates on its own core businesses, such as the development of related products and/or businesses, e.g. the manufacturing and trading of gifts and stationery items. It is the Group's policy to expand its core businesses gradually with the internal resources available.

In view of the recovering global economy and the benefits of the synergy effects as a result of the acquisition of PIML, the directors are prudently optimistic that the performance of the Group in 2004 will be improved.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT RESULTS

Novelties and decorations

The turnover of this sector for the year dropped by about 9% to approximately HK\$135,924,000, while the segment result decreased by about 37% to approximately HK\$11,566,000, as a result of continuous decrease in profits margin due to intense competition as well as the increase in the costs of labour in the PRC. Nevertheless, in view of the Group's long established relationship with its customers, the directors are still confident that the Group will maintain as the major supplier in the market.

Packaging products

The turnover of packaging products to external customers was slightly decreased by about 3% to approximately HK\$125,455,000, while the segment result was substantially decreased by about 79% to approximately HK\$3,444,000. Such a decrease in segment result was mainly due to the provision for trade debt due from a major customer of the Group for approximately HK\$6,639,000 as stated in the press announcement dated 4th July, 2003. Moreover, the change in the sales mix of the turnover from high profit margin products to lower margin products also led to the substantial decrease in the segment's result.

Trading activities

The turnover of the trading of PVC film and plastic materials increased by about 14% to approximately HK\$44,536,000, as a result of the change of management of one of the segment's principal departments as well as the Group's continuous prudent credit policy, which also lead to a record of positive segment result of approximately HK\$1,011,000 for the year, while the result for 2002 was a loss of approximately HK\$503,000. It was still a tough year for the trading activities, since the local economy continued to be sluggish during the year and the major ultimate manufacturers dominated the market share.

Toy products

On 9th December, 2003, the Group acquired 59% shareholdings of PIML. For details, please refer to the Company's press announcement dated 11th December, 2003. The subsidiaries of PIML are engaged in the



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manufacturing and trading of toys and consumer products, the manufacturing of plastic injection moulds, and provision of technical services involving high precision injection assembly of such moulds (EMS). The result of PIML was immaterial to that of the Group in the year under review since only 23 days' result was included. However, it is anticipated that the segment would be one of the Group's principal business segments in the coming years.

Investments

To well utilize 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, 2003, the total investments therein were approximately HK\$3,531,000 (2002: HK\$3,810,000). All of these investments were held in either convertible notes or preferred shares, which will provide stable income to the Group.

Investments 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 investments in securities was approximately HK\$3,990,000 (2002: HK\$4,840,000).

Liquidity and financial resources

As at 31st December, 2003, the long-term finance lease obligations of the Group were approximately HK\$331,000 (2002: Nil), while the short term bank and other borrowings were approximately HK\$26,835,000 (2002: Nil), and the net book value of the Group's plant and machinery of approximately HK\$527,000 (2002: Nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was approximately 11.52% (2002: Nil).

At balance sheet date, the Group had bank balances and cash of approximately HK\$77,724,000 (2002: HK\$73,482,000).

With cash and other current assets at 31st December, 2003 of approximately HK\$237 million as well as available banking facilities, the Group 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, 2003 was approximately HK\$0.84 (2002: HK\$0.84) per share based on 281,701,607 (2002: 270,001,607) shares being in issue on that date.

Employees and remuneration policies

As at 31st December, 2003, the Group employs approximately 4,000 full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.



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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 exposure in the area.

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.

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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

AUDIT COMMITTEE

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") 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 comprising the Company's two independent non-executive directors with written terms of reference in accordance with the requirements of the Stock Exchange.



APPRECIATION

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

On behalf of the Board

Poon Siu Chung
Chairman & Managing Director

Hong Kong, 15th April, 2004