

RESULTS

I am pleased to report that the measures and strategies that the Group has put in place since my last Chairman's Statement continue to bear encouraging results. Productivity enhancements and cost reductions continue to be the focus of our efforts, with a view to further improving the financial stability of the Group. Though turnover has remained largely unchanged at HK\$382,470,000, net profit has accordingly improved 109% to HK\$3,714,000. Despite an increase of at least 5% in raw material prices, the Group has sought to manage its costs such that it still delivered an improved margin by reducing costs. These results underpin the Group's stated objective to continue to seek opportunities for better margin business.

The Group continues to accrue benefits from the initiatives set out last year, and expect these to improve further in line with its ongoing consolidation of its financial and market position.

MANAGEMENT

The leadership team remains unchanged, allowing for unprecedented continuity, and not only has been instrumental in maintaining relationships with suppliers, clients, bankers and other parties, but has also allowed for the formulation and execution of longer-term plans.

FINANCIAL STABILITY

Cashflow has also commensurately improved; raw materials and finished goods inventory levels have been reduced by HK\$39,710,000, with receivables improved.

The capital facilities put in place last year stand at a moderate utilization level, representing a gearing ratio of 64%. Interest expense for the year was HK\$1,777,000, increased from HK\$1,139,000 last year.

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

BUSINESS REVIEW AND PROSPECTS

May 2004 saw the inauguration of the Group's new manufacturing facility in Dongguan. The Group is now able to accrue benefits from having a state-of-the-art manufacturing facility in addition to its existing capacities. The new plant will also take over part of the existing capacity from the existing plants, allowing a reduction of costs in the latter. Another positive aspect of the new manufacturing facility and its modern machinery is the potential saving that comes with producing certain products instead of outsourcing. By vertically integrating some of the production processes, the Group expects to save substantially in outsourcing costs in respect of paper dyeing and PVC products.

CHAIRMAN'S STATEMENT

The Group has maintained throughout a position of preserving margins, be it at the expense of turnover. The Group has resisted engaging in price competition, seeking to focus on delivering quality products and service instead. Consequently, business volume with certain major clients has been adjusted downwards, but it should be noted that margins for the remaining business improved, such that profit generated has indeed improved over last year. Moreover, the Directors see this as positive in respect of risk diversification. Furthermore, with the improvement of the US market as a whole, the adjustment of these clients' business has been more than compensated for by other customers, such that the US portion of the Group's turnover remains at 58%.

Since the termination of the distribution agreement with Filex Paper Converter, Ltd., the Group has seen several opportunities in Europe, particularly in the United Kingdom, Germany and France. The Group also continues to develop opportunities within Asia on its own, whereas previously all efforts had been through wholesalers. Another market which shows great promise is Japan.

FUTURE DEVELOPMENTS

Though the financial stability of the Group has improved significantly, the Directors will continue to work tirelessly towards cementing this, though some attention can now be afforded at other areas – most notably further initiatives to improve overall margin. The new factory, with its expanded product range, will be the primary focus for the coming year, allowing the Group to explore new markets with its own products.

The Group will continue to focus on streamlining operations, seeking to maintain its core businesses and products while improving quality, yet reducing manufacturing and administrative costs. Another key initiative will be to aim to improve the quality of services.

The Directors continue to ensure that risks facing the Group are adequately mitigated, with production now spread across three production facilities, the risk of power supply interruption has been addressed with the purchase of several generators, as well as flexible production scheduling.

ACKNOWLEDGMENTS

In conclusion, I would like to take this opportunity to sincerely thank the Board of Directors, the management team and all of the staff, who have worked tremendously hard to achieve our goals, the benefits of which are beginning to be evidenced, giving me a great deal of encouragement for the future. I must also thank all of our bankers, suppliers, shareholders and customers for their continued support and co-operation. The past year has demonstrated that the foundations that we have together built for the long-term stability of the Group are truly sound, and that with dedication and commitment from all parties we can achieve the brighter and more profitable future that we all seek.

Kan Shiu Cheong, Frederick

Chairman

7th July, 2004