

RESULTS

The audited consolidated loss attributable to shareholders of the Company and its subsidiaries ("the Group") for the year ended 31 March 2004 was approximately HK\$12,713,000. Loss per share based on 484,853,527 shares amounted to 2.6 cents.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2004 (2003: Nil).

REVIEW OF OPERATIONS

- For the year ended 31 March 2004, the Group recorded an annual turnover of approximately HK\$115 million, a decline of approximately HK\$17 million or 13% over last year. In contrast, the net loss for the year reduced by 67% to approximately HK\$13 million. The decline for the annual turnover was attributable to the persistent effect of the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in March 2003. While the increased number of mainland visitors has contributed to turnover, such increment was not able to offset the Group's unprecedented drop in sales in the first quarter of this reporting period.
- Other factors that have led to the decline in turnover during the reporting period include the renovation of Cheung Sha Wan outlet and the closure of Kwun Tong outlet. Following the successful renewal of the tenancy agreement with the landlord and in order to minimize the impact of SARS on business, the Cheung Sha Wan outlet was closed for approximately one month for a major renovation in June 2003. The Kwun Tong outlet, which was closed in September 2002, had contributed approximately HK\$9.5 million to the annual turnover in the previous corresponding reporting period.
- The Group is experiencing a steady growth of demand for the environmental friendly paper tableware worldwide. In view of the favorable response from customers, the Group has identified several geographical areas and market segments which the Directors believe will have promising market potential. The Group is considering forming strategic business alliances with selective customers to explore the potential markets identified as well as tapping into niche markets. The manufacturing plant located in Dongguan, the PRC has applied for the ISO9001: 2000 Quality Management System Certification, with the aim of delivering high quality products and efficient service to customers. The Directors believe that the environmental friendly paper tableware business will soon provide an impetus to broaden the income base of the Group's business.

LIQUIDITY AND FINANCIAL RESOURCES

- As at 31 March 2004, the Group had in aggregate approximately HK\$5.8 million unsecured bank borrowings. The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$7.9 million as at 31 March 2004.
- The Group's gearing ratio as at 31 March 2004 was 10.3% (2003: 12.7%), based on bank borrowings of HK\$5.8 million (2003: HK\$8.8 million) and the shareholders' fund of HK\$56.5 million (2003: HK\$69.2 million).
- With the cash generated from the Group's operation in its ordinary course of business and the existing unutilised banking and credit facilities, the Directors consider that the Group has sufficient working capital for its operation.

PROSPECTS

The Hong Kong economy has showed positive signs of recovery. With the strong growth of the Chinese economy as well as the increasing number of mainland tourists visiting Hong Kong, the Directors believe that its business will benefit from the gradual recovery of the retail market as a whole. Looking ahead, the Directors are confident that the production and sales of the environmental friendly paper tableware will provide the Group with great growth potential. Leveraging on its well-established customer relationships as well as the connection with its strategic business partners, the Group is well positioned to capture on any future business opportunities and to further explore the potential markets identified.

EMPLOYEES

At 31 March 2004, the total number of staff of the Group was 685. Total staff costs including Director's emoluments amounted to HK\$36.8 million for the year under review.

The Group continued to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Scheme and a discretionary bonus payment which is linked both to the Group's and individual employee's performance.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2004 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, except that all the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Company's Bye-Laws.

ACKNOWLEDGEMENTS

I would like to express my gratitude to the management and staff members of the Group for their dedication and invaluable efforts and contributions to the Group during the year.

By Order of the Board

Cheng Hop Fai

Chairman

Hong Kong, 15 July 2004