

CHAIRMAN'S STATEMENT

RESULTS

The world's economy achieved sustained growth for the year under review, buoyed by rising business and consumer confidence. We are pleased to see that both the business of manufacturing and trading of packaging products and treasury investment reported increase in revenue during the financial year ended 31 December 2004. Consolidated turnover of the Group amounted to HK\$294.4 million, comprising of revenue from the packaging business (HK\$254.4 million) and income from treasury investment (HK\$39.9 million), up 45.6% over the last financial year ended 31 December 2003, (HK\$202.2 million) and a 45.7% increase in net profit to HK\$42.1 million for the financial year ended 31 December 2004 (31 December 2003: HK\$28.9 million). Earnings per share rose 18.9% to HK\$1.07 cents per share (31 December 2003: HK\$0.90 cents).

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK\$0.004 per share to shareholders whose names appear on the register of members of the Company on 29 April 2005. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or about 13 May 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 26 April 2005 to Friday, 29 April 2005 (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 Friday, 29 April 2005 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 Monday, 25 April 2005.

BUSINESS REVIEW

Consumer spending continued to grow in the US and European markets. Although there were usual short-term seasonal adjustments for demands for packaging products after shipments for the Christmas season were over and after a continuous business growth of almost nine months, sales to the Group's major markets remained generally strong during the current year. This was particularly notable given the challenges brought by the outbreak of the Iraq war and SARS in the last financial year.

Sales volume in terms of quantity increased by 19.7% against last year's, due to increasing demand for packaging products and the Group's consistent market participation. North America continues to be the Group's major market segment. Revenue from this market accounted for 31.4% of the Group revenue for the financial year 2004. Europe and Asia Pacific market segments contributed 31.9% and 30.6% respectively. The business is, however, expanding in Europe due to recognition of our reputation among major players. Revenue from the European market for the financial year 2004 was HK\$81.2 million, an increase of 30.9% over the same in the previous financial year.

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Despite the recovery in the consumer sector, competition remained keen. Our average selling prices for 2004 were higher than those in 2003 by around 10.7% primarily due to the improvement in product mix and in the introduction of new high end design lines.

Towards the end of the financial year, the cost of product increased in light of the surge in oil prices which in turn led to an increase in prices of resin which is the major raw material for making plastic cases. Prices of metal also recorded an increase. These increases were partly mitigated throughout the whole year by corresponding increases in selling prices. However, the gross profit margin for the Group's manufacturing operation was slightly affected by rising labour and material costs during the period under review.

The operating profit for the year ended 31 December 2004 was HK\$57.4 million after accounting for HK\$9 million provision for doubtful debts including five customers under insolvency proceedings and extrajudiciary settlements, and management and staff bonus of HK\$7 million (which were reflected under distribution costs and administrative expenses respectively). Operating profit grew by HK\$23.5 million over the previous financial year. Excluding the cost of HK\$8.7 million for settlement of a dispute with the Hong Kong Inland Revenue Department regarding offshore income claims and related professional costs incurred, which was also included in the operating profit in the current year, the net profit for the year increased by HK\$21.9 million, or 75.8%.

The Group has entered into an agreement to buy a 60% interest in Hoi Tin Universal Limited for HK\$36 million, which is an OEM of backpacks and luggages. This investment will expand the Group's range of packaging products to include travelling goods.

OUTLOOK

Recent economic indices indicate that the global economy is generally healthy. Although there are risks of higher oil prices and increase in interest rates which will impact economic growth, we expect the positive momentum in the European and US market to continue.

Prices of major raw materials decreased in the first quarter of 2005, it is expected that supplies will become more balanced so that the raw material prices will become more stable in the coming financial year.

We will also expand the customer base through selected media advertising, more active participation in trade fairs, as well as increased investment in product design support for customers. Despite continuing strong competition, we are well positioned for further revenue and profit growth, given our improved market position and performance over the past year, combined with a strong balance sheet and a diversified customer distribution in North America and Europe.

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The investment in the travelling goods business will upgrade the product and service capabilities of the Group. The Group believes its expertise in production management, marketing and close contacts with brand-named customers will spearhead the growth of this new business area. This will be further accomplished by expanding sales support for the new business and business referrals from the Group's existing core business where travel accessories are the key product categories of some of our major customers. We expect immediate returns from this new business with growth and more meaningful returns in the medium term.

Not allowing for any unforeseen circumstances, the Directors expect the Group's performance to further improve in the coming financial year over 2004.

The Group will continue to expand its capacity and look for new investment opportunities. These will be financed by internally generated cash flows and cash on hand.

MANAGEMENT DISCUSSION AND ANALYSIS

Investments

As at 31 December 2004, the Group held a portfolio of listed securities with market value of HK\$76.2 million, convertible notes and fixed rate notes amounting to HK\$24.0 million issued by companies listed on The Stock Exchange of Hong Kong Limited. The dividend and interest income from these investments for the year were HK\$0.9 million and HK\$1.7 million respectively. The unrealized holding gain on listed securities amounted to HK\$14.9 million as at 31 December 2004.

Liquidity and Financial Resources

The shareholders' funds as at 31 December 2004 were HK\$554.5 million, a 5.4% increase from the HK\$526.2 million reported for the financial year 2003, due to profits earned during the year.

As at 31 December 2004, the Group had net cash of HK\$309.9 million, as compared to HK\$200.6 million as at 31 December 2003. The Group had no external borrowings as at 31 December 2004.

Taxation

The Group had settled its dispute with the IRD regarding offshore income claims. The final settlement resulted in a charge for taxation relating to previous years of HK\$4.7 million.

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Capital Expenditure

For the year ended 31 December 2004, the Group invested HK\$5.9 million in plant, machinery, equipment and other tangible assets. All of these capital expenditure were financed from internal resources.

Employees

At 31 December 2004, the Group had approximately 4,000 employees (31 December 2003: 3,500). Employee benefits included provident fund and discretionary bonus.

Pledge of Assets

At 31 December 2004, the Group has pledged its leasehold properties with an aggregate carrying value of approximately HK\$6,537,000 as security for general banking facilities granted to the Group.

Contingent Liabilities

At the balance sheet date, the Company had contingent liabilities in respect of guarantees amounting to HK\$20 million given to banks for general banking facilities granted to subsidiaries. None of this banking facilities was utilized as at 31 December 2004.

As at 31 December 2004, the Group had no other material contingencies.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members 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, 30 March, 2005