

## CHAIRMAN'S STATEMENT

I present on behalf of the Board of Directors the Annual Report of the Company for the year ended 31st December, 2004.

### **Results**

The operating environment remained difficult throughout the year of 2004. Despite this adverse situation resulting from rising raw material and direct labor costs, the Group has achieved moderate results in its financial year ended 31st December, 2004. Turnover of the Group for the year dropped by 10.40% to approximately HK\$887,025,000. Net profit attributable to shareholders for the year decreased by 71.33% to approximately HK\$3,031,000. Basic earnings per share also decreased to HK0.63 cent from HK2.21 cents last year. The profit decline was mainly due to a loss in operations from non wholly-owned subsidiaries and allowances for bad and doubtful debts during the year. The directors assess the recoverability of several customers with reference to the financial abilities of the customers and the amounts of approximately HK\$18,364,000 were considered irrevocable, thus allowances of the same amount were made during the year.

### **Final Dividend**

The Board has resolved to recommend a final dividend of HK0.5 cent per share (2003: HK1 cent) for the year ended 31st December, 2004 to be paid on 3rd June, 2005 to shareholders whose names appear on the register of members of the Company on 13th May, 2005 subject to approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK1.5 cents per share paid on 8th November, 2004 (2003: Nil), the total dividend for the year is HK2 cents per share and represents a 100% increase to the HK1 cent paid in 2003.

### **Closure of Register**

The register of members will be closed from 9th May, 2005 to 13th May, 2005 both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the 2004 final dividend, all share certificates with completed transfer form either overleaf or separately, must be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong not later than 4:00 p.m. on 6th May, 2005.

### **Operations Review**

Turnover generated from trading during the year accounted for approximately HK\$266.64 million, representing an increase of 82.86% compared with approximately HK\$145.82 million in 2003. Turnover generated from others manufacturing and household products manufacturing both decreased by 29.04% and 14.23% to approximately HK\$496.61 million (2003: HK\$699.82 million) and HK\$123.76 million (2003: HK\$144.29 million) respectively. Segment results for trading increased by 227% to approximately HK\$21.29 million (2003: HK\$6.51 million). Segment results for others manufacturing and household products manufacturing both decreased by 1.72% and 82.32% to approximately HK\$30.92 million (2003: HK\$31.46 million) and to approximately HK\$8.45 million (2003: HK\$47.80 million) respectively.

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### **Operations Review** *(Continued)*

#### **Bigfield Goldenford Holdings Limited**

Bigfield Goldenford Holdings Limited, a 62.50% subsidiary of the Group, recorded a turnover of approximately HK\$518,114,000, representing a decrease of 24.70% from that of the previous period HK\$688,051,000, because of significant price pressure on paper products. It continued to incur a loss of approximately HK\$8,685,000 in 2004, compared to a loss, of approximately HK\$4,880,000 during the same period in 2003. The enlarged loss was primarily attributable to higher fixed cost of production and administrative expenses and lower profit margin.

#### **Frankie Dominion (Holdings) Limited**

Frankie Dominion (Holdings) Limited achieved a steady growth in trading activities during the period under review. Turnover amounted to approximately HK\$413,718,000 in 2004, an increase of 20.88% compared with the same period in 2003.

In November 2004, it purchased a new office in Guangzhou in order to strengthen its Guangzhou office position as becoming an international trading firm in China. The new office of approximately 1,250 square meters is located at the 12th Floor of Qin Jian Commercial Building, No. 468 Huangpu Da Dao, Tianhe District. Following the deepening of the effects of the liberalization measures under the Closer Economic Partnership Arrangement ("CEPA"), the expansion of the Guangzhou operating center will benefit from more preferential treatments of CEPA and accession of China to the World Trade Organization and this may facilitate the Group's trade development in China.

### **Prospects**

Looking ahead towards the coming year, raw material prices are expected to continue to fluctuate. Labor costs in the area of the Pearl River Delta should rise in tandem with living standards and minimum wage requirements set by the government. The Group will monitor the situation closely and will work to improve production efficiency to mitigate part of the impact of these fluctuations.

The Group will make use of the coming year as the time to consolidate its existing operations and to expand its horizons in order to build up a solid platform for future growth. It is also well prepared to meet the keen competition in its core business and to deploy its development of foreign trade in China. To strengthen the Group's presence and marketing position in North America, it is intended to engage experienced marketing executives in these areas to focus on the sale of the Group's products and trading activities. The management shall strive to deliver continued growth and enhanced value for shareholders.

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### **Audit Committee**

The Audit Committee has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the consolidated financial statements of the Group and the auditors' report for the year ended 31st December, 2004.

The Audit Committee comprises three members namely Mr. Au Son Yiu, Mr. Lee Johnson and Mr. Tang Tin Sek, the independent non-executive directors of the Company.

### **Appreciation**

On behalf of the Board, I would like to express my sincere gratitude to our customers, business associates and shareholders for their loyal patronage and support through the years and, in particular, to our team of dedicated staff for their invaluable service and contribution in this period of transition.

**Lam Po Kwai, Frankie**

*Chairman*

Hong Kong, 15th April, 2005