

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported a turnover of approximately HK\$452 million (2002: HK\$425 million) for the year under review. This represents an increase of approximately 6.4% as compared to the corresponding period last year. Profit from ordinary activities before taxation and profit attributable to shareholders amounted to approximately HK\$17.9 million and approximately HK\$13.6 million respectively (2002: HK\$12.4 million and HK\$8.4 million).

During the year under review, despite unfavourable economic conditions in Hong Kong and the highly competitive environment in the printing packaging industry, the Group achieved a steady growth in revenue. The increase in revenue was due mainly to the strong demand from the Group's customers in the PRC.

During the year under review, the Group had substantially relocated its production unit from its Yuen Long factory to the newly constructed factory buildings in Dongguan as a measure to control costs and to enable the Group to compete in the competitive environment. These new factory buildings, together with the warehouse facilities, have a total gross floor area of approximately 280,000 square feet and are within a short distance from the Group's existing plant in Dongguan. As a result, the savings in operational costs due to the relocation contributed to the increase in the Group's gross profit margin from approximately 19.6% during the corresponding period of last year to approximately 21.9% for the current financial year.

There was a small increase in selling and distribution costs of approximately 1.3% during the year under review and the increase was lower than the percentage increase in turnover. The increase of administrative expenses of 29.1% was mainly due to redundancy expenses and, the shipping, dismantling and re-installation costs for the machinery during the relocation exercise.

Finance cost was also reduced by approximately 9.7% as the Group was able to take advantage of the reduction in interest rates despite the fact that the amount of its borrowings was higher than that in the corresponding period last year. The increase in the Group's borrowings was due primarily to the strategic decision of the Group to expand its production facilities in the PRC to cater for its long term operational requirements.