

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

The Hong Kong economy has experienced a tough moment during the past six months. Being attacked by the Severe Acute Respiratory Syndrome (“SARS”), the economy reached downturn during the second quarter of 2003. Real GDP dropped by 5%, down from an increase of 5% from the first quarter. Fortunately, export market remained strong. The Group benefited from the strong overseas market demand. Total turnover reached HK\$250,000,000 being the third consecutive upturn over the past 3 interim periods. With good business relationship with our customers and quality product and service, OEM paper product segment remained the driving force of our business. Turnover from this segment climbed up by 22% to HK\$243,000,000 and contributed most to the Group’s total turnover. Although net profit for the period decreased 34% to HK\$5,000,000 on the face, our profitability was in fact increasing. Net profit generated from the current interim period was the result of our effort on concentration on principal activities. After elimination of non-trading income from the comparative figures, the Group in fact experienced an improvement of 35% in net profit as compared to last interim period. The Group has completely rebound from the bottom in spite of the continuous pressure of price competition.

Performance of house brand segment, which contributed less than 3% to total turnover currently, was affected by the outbreak of SARS. Both the domestic retail markets in Hong Kong and Mainland China were weak. Business activities slowed down and people tended to stay at home instead of shopping around outdoors. Turnover dropped by 43% to HK\$6,000,000 with a slight loss of less than HK\$200,000 resulted. Fortunately, the situation lasted for only a short period. Market situation has improved and everything is back to normal. Wholesalers in Hong Kong and big department stores in Mainland China are placing normal size orders again. The Group sees that performance from house brand segment is improving and believes the segment will get back to its profit generation road again.

The Group always emphasizes on stringent cost control and it is glad to see that the effort continues to receive reward. Administrative expenses reduced by 8% as compared to last interim period and the corresponding percentage to total turnover dropped from 11% to 8%. Distribution costs remained stable despite increase in turnover, so did the factory overhead costs. As a result of strict control over raw material purchase and usage, gross profit margins decreased by less than 3% only despite a general squeeze in selling price of around 5% and rise in paper prices of around 5 to 10%. Production logistic streamlining exercise is continuing and will remain one of the Group’s main directions in the coming couples of months.