

REVIEW OF OPERATION

For the period under review, the Group reported a total turnover of approximately HK\$260.2 million, which represented an increase of approximately 21.18% to the total turnover of approximately HK\$214.7 million of the corresponding period last year. Net profit attributable to shareholders for the six months ended 30 September, 2003 amounted to approximately HK\$21.4 million as compared to the loss attributable to shareholders of approximately HK\$7.0 million for the six months ended 30 September, 2002.

Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children novelty books continued to be the Group's major business. Orders from customers in this business category have once been affected and slowed down during the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the early half of the period under review. However, through the adoption of proactive marketing strategy, together with the endeavour to enhance its production flexibility and operational efficiency, the Group has been able to cope with the rush orders which soon then rebounded since June when the SARS became under control. For the six months ended 30 September, 2003, the Group recorded a turnover of approximately HK\$214.1 million for this business category, which was about 82.29% of the Group's total turnover for the period under review and represented a growth of about 29.96% over that of the corresponding period last year.

The Group is also engaged in the manufacture of hangtags, labels, shirt paper boards and plastic bags as well as commercial printing. Like its major business in the manufacture of packaging boxes, the Group has been able to achieve a growth in turnover for the manufacture of hangtags, labels, shirt paper boards and plastic bags for the period under review. However, the Group's commercial printing has been hard hit by the SARS outbreak and the operating environment had been comparatively more difficult. For the six months ended 30 September, 2003, the turnover for the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK\$16.2 million, which was about 6.24% of the Group's total turnover and represented a growth of about 32.29% over that of the corresponding period last year. The turnover of the Group's commercial printing was approximately HK\$29.8 million for the six months ended 30 September 2003, which was about 11.47% of the Groups' total turnover and represented a decrease of about 20.83% over that of the corresponding period last year.

Intensive price competition continued to impose downward pressure on the Group's profits margin. For the period under review, the gross profit margin of the Group was 23.36%, dropped by 1.09% as compared to its gross profit margin of 24.45% of the corresponding period last year. Stringent cost control measures continued to help manage the operating expenses of the Group effectively. For the period under review, the administrative expenses of the Group was approximately HK\$35.3 million, which was about 13.57% of the Group's total turnover and represented a decrease of about 0.50% over that of the corresponding period last year.

REVIEW OF OPERATION (Continued)

The Group's printing business continued to provide positive and steady contributions both in terms of operating profit and cashflow. For the six months ended 30 September, 2002, the Group has reported a loss from operating activities of about HK\$5.8 million and a net loss from ordinary activities attributable to shareholders of about HK\$7.0 million after the finance costs and taxation charges. This was mainly due to a provision for a revaluation deficit of about HK\$4.3 million on the Group's leasehold land and buildings and investment properties not covered by previous revaluation surplus and a provision for the recovery of the outstanding principal amount of the Note of HK\$23.5 million entered by the Group and the accrued interest of HK\$0.7 million. Had such full provision and the provision of the revaluation deficit as mentioned above been excluded, the operating profit of the Group's overall printing business for the period ended 30 September 2002 would have been at approximately HK\$22.8 million and the net profit from the Group's overall printing business attributable to shareholders after the finance costs and taxation charges would have been about HK\$21.5 million.

For the six months ended 30 September, 2003, the operating profit of the Group's overall printing business was approximately HK\$24.8 million and the net profit from the Group's overall printing business attributable to shareholders after the finance costs and taxation charges was about HK\$21.4 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. The Group is financially sound. As at 30 September, 2003, the Group has available aggregate banking facilities of approximately HK\$42.9 million which were secured by legal charges on certain properties owned by the Group. The Group's cash and bank balances and short term bank deposits as at 30 September, 2003 amounted to approximately HK\$42.7 million. The Group's gearing ratio as at 30 September, 2003 was 1.0% (31 March, 2003: below 1%), basing on the short term and long term interest bearing bank borrowings of HK\$2.2 million (31 March, 2003: HK\$0.1 million) and the shareholders fund of HK\$307.2 million (31 March, 2003: HK\$294.4 million).

PROSPECTS

The Directors anticipate that the competition within the printing industry will continue to be keen. The Group will keep abreast of the market trends and continue to seek growth opportunities in various kind of printing business. The demand for children books, premium items and paper products in the overseas markets has been particularly strong. More marketing effort will be made and additional production facilities will be developed to tap into these markets. With recent sign of recovery in the global economy and the strengthening of consumers confidence since the third quarter of the year, the Directors believe that the market performance will continue to be promising for the second half of the year.