

REVIEW OF OPERATION

For the period under review, the Group reported a total turnover of approximately HK\$283.9 million and a profit after tax attributable to shareholders of approximately HK\$20.1 million, which represented an increase of about 6.8% to the total turnover and a decrease of about 6.1% to the profit after tax attributable to shareholders of the corresponding period last year. For the six months ended 30 September 2003, the total turnover and profit after tax attributable to shareholders of the Group was approximately HK\$265.8 million and HK\$21.4 million respectively.

The Group has been able to maintain a stable gross profit margin of about 25% for both the period under review and the corresponding period last year. The drop in the profit after tax attributable to shareholders of about 6.1% was mainly associated to the increase in selling and distribution costs as a result of the Group's proactive marketing strategy for market penetration, especially in the exploration and development of the overseas markets. For the period under review, the Group recorded a total selling and distribution costs of approximately HK\$12.3 million as compared to that of the corresponding period last year in the amount of approximately HK\$8.8 million.

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. To achieve more market penetration, especially in the overseas markets for the innovative children novelty books, aggressive pricing policy and proactive marketing strategy have been adopted by the Group for the period under review. Accordingly, though more sales volume orders have been secured, the Group recorded only a slightly increase in sales value turnover of approximately HK\$219.9 million for the six months ended 30 September 2004 from this major business category as against the sales value turnover of approximately HK\$219.7 million of the corresponding period last year. For the period under review, the turnover from this major business category represented about 77.4% of the Group's total turnover. Like many other manufacturers in the Southern China, the Group has also experienced the temporary problems of labour supply, power shortage and rising fuel costs during the early stage of the period under review, which, together with the increase in selling and distribution costs, have to certain extent affected the performance of this major business category.

For the six months ended 30 September 2004, the Group achieved an encouraging growth in turnover and contribution from both the manufacture of hangtags, labels, shirt paper boards and plastic bags as well as the commercial printing. For the period under review, the turnover for the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK\$27.8 million, which was about 9.8% of the Group's total turnover and represented a significant growth of about 71.0% over that of the corresponding period last year. The Group's commercial printing has also benefited from the improved investment market sentiment as compared to that of the corresponding period last year during the severe acute respiratory syndrome outbreak. For the six months ended 30 September 2004, the turnover of the Group's commercial printing was approximately HK\$36.2 million, which was about 12.8% of the Group's total turnover and represented an increase of about 21.4% from that of the six months ended 30 September 2003.

REVIEW OF OPERATION (Continued)

The Group continued to remain cost conscious. For the period under review, the administrative expenses of the Group was approximately HK\$38.1 million, which was about 13.4% of the Group's total turnover of approximately HK\$283.9 million and was at a percentage level similar to that of the corresponding period last year. For the six months ended 30 September 2003, the administrative expenses of the Group was approximately HK\$35.3 million, which was about 13.3% of the Group's total turnover of approximately HK\$265.8 million.

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, 2004, the Group has available aggregate banking facilities of approximately HK\$65.5 million which were partially 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, 2004 amounted to approximately HK\$77.7 million. The Group's gearing ratio as at 30 September, 2004 was 9.0% (31 March, 2004: 6.6%), basing on the short term and long term interest bearing bank borrowings of HK\$31.0 million (31 March, 2004: HK\$22.4 million) and the shareholders' fund of HK\$345.2 million (31 March, 2004: HK\$338.0 million).

PROSPECTS

To further strengthen the customer loyalty and broaden customer base, the Group will continue its endeavour to enhance its productivity and cost competitiveness to meet the diversified needs of customers for quality and value added services. The Group will also continue its effort to develop the overseas markets. The demand for innovative novelty books, premium items and various paper products have particularly been strong in the overseas markets, which the Group believes will bring in a promising growth and contribution to the Group in the long run.

Pricing pressure due to industry competition will continue. However, leveraged on its solid foundation and its being abreast of advanced technology, together with the improved global market sentiment, the Group is cautiously optimistic towards its business performance amidst the various challenges for the year to come.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1 cent per share (2003: HK1 cent per share) for the six months ended 30 September, 2004 payable on or before Friday, 4 February, 2005 to shareholders whose names appear on the Register of Members of the Company on Friday, 28 January, 2005.