

## **Review**

The market has become ever much competitive over the past year. The already tough market condition was further worsened by the rise in raw material costs and production overhead cost. Overall performance of the Group for the year was inevitably affected.

Despite the challenges, the Group reinforced heavy emphasis on delivering quality products and services. With the adoption of several pragmatic measures during the year, our team has successfully helped maintain profitability for the Group as a whole.

During the year, paper cost and plastic material cost have increased by at least 10% and 20% respectively owing to the huge demand. Exacerbated by the higher production costs, overall profit margin was affected as compared with last year. The Group implemented stringent cost control measures including the consolidation of workforce and increase in material procurement in developing countries. The measures have proven to be effective in lowering production overheads and maintaining stable profitability during the year at around HK\$3.6 million, a level comparable to last year.

Turnover of the Group was HK\$311 million, a decrease of 18.6% for last year. Keen market competition and, more importantly, our strategic focus along a margin preservation direction attribute to the decline in turnover. Over the past few years, the Group has committed our resources to concentrate on the production and provision of quality products and services respectively while cut throat price competition in the market intensified. With such devotion to quality and the Group's effective sales mix management in focusing on higher-margin products, the Group has been successful in maintaining stable overall profit margin, although turnover from less profitable businesses has been forfeited.

The Group has been contributing much on streamlining major operational processes with an aim to minimize time consumed on pre-production preparation on one hand, while at the same time enhance production efficiency on the other. Currently, all production procedures of the Group are carried out in three factories located in Shenzhen and Dongguan. With the effective management of the factories, all of them are maintained at just the right size in order to sustain the highest level of production efficiency. The Group is confident that enhanced production efficiency and product quality resulted from production automation of the factories over the past few years under the resource management measures will improve its competitiveness.

The disposal of Easyfil business during the year after several years of tiny contribution has brought reasonable gain on disposal to the Group. The Group will concentrate our resources to bring more values to our OEM customers.

## **Future Developments**

In the upcoming year, a fourth factory will start its operation in Dongguan. This will further improve the production capacity of the Group. With such expansion, the Group has planned to integrate our production processes vertically and horizontally. New production process like carton box manufacture and screen printing are under consideration.

# CHAIRMAN'S STATEMENT

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Having foresight on the currency fluctuation of Euro dollars as well as the gradual increase in labour cost in Mainland China, the Group will keep an eye on technology development and automate our production further in the future.

Apart from further development and expansion of existing business stratum, the Group will prudently look for business expansion opportunities that can enhance synergies. The Group believes that giving more value added services to our customers and moving towards a total solution provider will benefit the Group for a wonder.

## Acknowledgements

I would like to take this opportunity to express my most sincere thanks to our board of directors and management team for their devoted and strategic leadership for the Group, which has helped a lot in keeping our leading role in the market. Appreciations have to be given to all our professional working teams as well, who have contributed much to the ultimate success of the Group.

On behalf of the Group, I would also like to dedicate my special thanks to our bankers, investors, vendors and most importantly to our customers. The Group would never be able to maintain stability of our business without the heartfelt support and devotion of them.

With the commitment of all parties, we are on the mission to bring along more values to our shareholders, employees and customers in the future.

**Kan Shiu Cheong, Frederick**

*Chairman*

Hong Kong, 21st June, 2005