

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group recorded a consolidated turnover of HK\$58,606,000, representing a 30% decrease compared with HK\$83,473,000 recorded in the last corresponding period. The gross profit was HK\$11,577,000 (for the six months ended 30 September 2004: HK\$17,121,000) representing a 32% decrease as compared with the corresponding period of last year.

Business Review

Packaging Products

Sales of packaging products for the period under review amounted to HK\$26,557,000, represented 45% of the Group's total sales and remained as the Group's major source of revenue. There was a drop of approximately 31% when compared to corresponding period of last year. The decrease was mainly due to increase in market competition, rising fuel and other direct material costs. The Group is switching from traditional low-end packaging printing business to packaging of quality, high value added products and to tighten credit policy, these measures should improve profitability in future.

Paper gift items

Paper gift items recorded a turnover of HK\$10,668,000 (for the six months ended 30 September 2004: HK\$10,266,000), an increase of HK\$402,000 or around 4% when compared to corresponding period of last year. The slight increase was mainly due to the increase in demand for high quality paper gift items as the economy continues to grow.

Promotional products

For the period under review, the division has a turnover amounted to HK\$21,381,000, representing a decrease of HK\$13,381,000 or 38% when compared to HK\$34,761,000 recorded in corresponding period of last year. The decrease was mainly due to the disposal of New Spring Label & Packaging Limited, a former subsidiary of the Group engaged in label business during the period, resulting in a profit of approximately HK\$1,095,000. The Group will focus on advertising and promotional products in the future which has higher yield.

Prospects

With a revival in consumer confidence in the domestic retail market, the Group expects the demand for packaging printing, paper gift and promotional item products in Hong Kong and the PRC will increase in the forthcoming years.

The Group will also explore further opportunities from overseas customers and will participate in overseas exhibitions. Following the China's accession into World Trade Organization and successful bidding for the hosting of 2008 Olympic Games, the Group expects that the operating results will be improved.

In order to improve the financial performance and position of the Group, the Directors believe that the Group will, in addition to optimising its operation in existing business, diversify its business into industry of higher growth and yield such as applied science and technology.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and loan facilities from banks. At 30 September 2005, the Group's bank deposits, bank balances and cash amounted to HK\$20,483,000 and bank and other borrowings amounted to HK\$58,814,000.

At 30 September 2005, the Group has assets of approximately HK\$178,453,000. Current assets of the Group on the date amounted to approximately HK\$100,272,000 while current liabilities were HK\$80,933,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 0.65.

The Group's foreign currency exposure is low as only a small portion of the Group's foreign currency assets and borrowings are denominated in US dollar or Renminbi. The Directors believe that the two currencies will remain stable against Hong Kong dollar in the foreseeable future and therefore consider the Group's present exposure to exchange risk is relatively minimal.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the period under review.

Employment and remuneration policy

At 30 September 2005, the Group employed a total of 280 employees, including approximately 258 employees in the PRC production sites and approximately 22 employees in Hong Kong. An additional work force of approximately 740 were provided by Sha Jing factory in the production facilities in Sha Jing under a processing agreement. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 September 2005, the interests or short positions of each of the directors and chief executives of the Company in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("SFO")), as required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under Appendix 10 to the Listing Rules, were as follows:

Name	The Company/name of the associated corporation	Capacity	Number of shares and classes (L) (Note 1)
Tong Kit Shing	The Company	Interests of a controlled corporation	95,000,000 ordinary shares of HK\$0.10 each (Note 2)
Liu Guo Yao	The Company	Interests of a controlled corporation	95,000,000 ordinary shares of HK\$0.10 each (Note 2)

Notes:

1. The Letter "L" represents the interests in the shares and underlying shares in the Company or its associated corporations.
2. These shares were and are held through Automatic Result Limited, which is solely and beneficially owned by Mr Tong Kit Shing and of which Mr Liu Guo Yao is the sole director.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interest or short positions in any shares and underlying shares of the Company or any of its associated corporations.