

REVIEW OF OPERATION

At its dedicated effort within an improved global market sentiment, the Group has been able to achieve an encouraging interim results for the six months ended 30 September 2005. For the period under review, the Group recorded a growth of approximately 22.7% in its total turnover and an increase of approximately 43.9% in its profit attributable to shareholders. For the six months ended 30 September 2005, the total turnover of the Group and its profit attributable to shareholders was approximately HK\$348.4 million and HK\$29.3 million respectively, as compared to its total turnover of approximately HK\$283.9 million and profit attributable to shareholders of HK\$20.4 million for the corresponding period of last year. Gross profit margin of the Group has also improved from its 25.5% for the six months ended 30 September 2004 to about 26.8% for the period under review.

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. For the six months ended 30 September 2005, the Group recorded a total turnover of about HK\$283.2 million from this major business category, which represented a significant growth of 24.9% over that of the previous period of about HK\$226.8 million and accounted for about 81.3% of the Group's total turnover for the period under review. The Group's effort in recent years to explore the overseas markets has seen positive results and which has helped contribute to the increased business in this major category. The necessary know how and delicate workmanship that the Group built up and developed within its solid manufacturing teams in recent years for innovative children novelty books has especially facilitated the Group to secure more orders of these kinds, which are usually sophisticated products but of higher margins, in the overseas markets.

The Group continued to maintain a strong upwards momentum in the manufacture of hangtags, labels, shirt paper boards and plastic bags. For the period under review, the turnover for the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK\$27.4 million, which was about 7.9% of the Group's total turnover and represented another encouraging growth of about 31.3% over that of the corresponding period last year. The Group has also seen an increase in the turnover of commercial printing. However, due to increasing competition, the increase was only at a moderate rate of 4.4%. For the period under review, the turnover of the Group's commercial printing was approximately HK\$37.8 million as compared to that of the corresponding period of approximately HK\$36.2 million and was about 10.8% of the Groups' total turnover for the six months ended 30 September 2005. Both the manufacture of hangtags, labels, shirt paper boards and plastic bags as well as commercial printing continued to make a satisfactory contribution towards the performance of the Group for the period under review.

REVIEW OF OPERATION (Continued)

For the period under review, the selling and distribution costs and administration expenses was approximately HK\$13.6 million and HK\$44.5 million and which accounted for about 3.9% and 12.8% of the Group's total turnover respectively. For the corresponding period of last year, the selling and distribution costs and administration expenses was approximately HK\$12.3 million and HK\$37.9 million respectively and accounted for about 4.3% and 13.3% of the Group's total turnover of the six months ended 30 September 2004 respectively. The improvement in the respective percentage to the total turnover of Group of both the selling and distribution and administration expenses over the two periods was attributable to the Group's endeavour to adhere to its stringent cost controls and streamlined administration efficiency. During the period under review, provision for doubtful debt in the amount of about HK\$2.2 million was made against an overseas customer for a long overdue account. The Group has tight credit appraisal procedures in place and will continue to closely monitor its credit that is allowed to its customers.

The Group's production base in Shanghai to manufacture labels and hangtags is at its trial run and is expected to be in operation in the early first quarter of the calendar year 2006.

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. The Group's cash and bank balances and short term bank deposits as at 30 September 2005 amounted to approximately HK\$68.5 million. The Group's gearing ratio as at 30 September 2005 was 12.5% (31 March 2005: 7.1%), basing on the short term and long term interest bearing bank borrowings of HK\$46.5 million (31 March 2005: HK\$25.3 million) and the shareholders' fund of HK\$373.0 million (31 March 2005: HK\$356.6 million).

PROSPECTS

Despite its general encouraging results for the first half of the fiscal year under review, the Group believes that the operating environment for the second half of the year will continue to be full of challenges. Like many other manufacturers in the Southern China, the Group will still be experiencing the problems of labor supply, power shortage, rising fuel prices, higher material costs and increased minimum wages. The higher operating costs, together with the pricing pressure from competition will continue to have impact on the operating environment for the second half of the year. To cope with these challenges, every effort will be made by the Group to enhance its operation efficiency for providing continued sustainable growth and returns for the Group and its shareholders.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1 cent per share (2004: HK1 cent per share) for the six months ended 30 September 2005 payable on or before Wednesday, 25 January 2006 to shareholders whose names appear on the Register of Members of the Company on Thursday, 19 January 2006.