



OPERATIONAL REVIEW

The year 2003 was another challenging year for the Group. Confronted with a lethargic macroeconomic environment and as further aggravated by the emanating outbreak of SARS (Severe Acute Respiratory Syndrome) during the first half of the financial year under review, which hampered the consumer confidence and business sentiments in the retail market generally, the demands for packaging materials, paper gift and promotional items was temporarily suppressed. The said temporary adverse effect has nevertheless an exaggerated impact on the Group's operating performance for the year. Further, the profit margin of the Company's business is generally pressurized as a result of the competitive pricing adopted and sharp increases in production costs (particularly in relation to the considerable rises in paper cost and other operating charges resulting from unfavorable oil price fluctuations) during the year under review.

During the year, the Group recorded an operating loss of approximately HK\$18,880,000.

Packaging Printing Business

Under the said sluggish consumer market and intensifying price competitions from its printing fraternities in Hong Kong and the Mainland China, during the year under review, the packaging printing business recorded a turnover of approximately HK\$75,606,000, which accounted for approximately 52% of the Group's total turnover, representing a decrease of approximately 20% over prior year.

Notwithstanding the aforesaid unfavourable fluctuation in divisional sales, through the Group's competitive marketing efforts, the Group has successfully secured new packaging printing projects from a broad spectrum of industries (especially in respect of fast-moving consumer products such as wine, liquor and foodstuff, etc).

業務回顧

對本集團而言，二零零三年是另一個富挑戰的年度。回顧本財政年度上半年，宏觀經濟持續低迷，而非典型肺炎(嚴重急性呼吸道綜合症)的爆發令市道進一步受到影響，消費者信心及零售市場的營商環境普遍受挫，故此，市場對包裝材料、紙制禮品及宣傳品的需求亦暫受壓抑。上述暫時性負面情況無疑對本集團當年度的經營業績構成較顯著之影響。此外，於本年度，由於採用了具有競爭力的定價措施及生產成本增加(特別是紙張成本，以及由於石油價格的不利波動而引致經營費用飆升)，本公司的經營利潤普遍受壓。

於本年度，本集團錄得經營虧損約為18,880,000港元。

包裝印刷業務

在消費市場疲弱，加之香港及國內同業間的價格競爭加劇的情況下，於本年度，包裝印刷業務錄得營業額約75,606,000港元，佔本集團總營業額的約52%，較去年下降約20%。

儘管上述部份銷售面臨不利波動，本集團透過積極的市場推廣活動，於年中仍在不同行業(特別是高流通消費品行業如酒類及食品類的包裝等)成功攬獲多項新的包裝印刷項目。

To meet the expected long-term growing customers' demands for product quality and delivery, during the year, the Group proactively expanded its packaging printing, label and lenticular printing capabilities by investing approximately HK\$12 million in machineries such as brand-new 5-colour printing press and 6-colour UV letter press label printing machine, etc. In this connection, the production capacity in the Group's production facilities in Shajing, Shenzhen, will be increased accordingly on completion of its instalation.

Paper Gift Business

The paper gift division recorded a turnover of approximately HK\$29,660,000, which accounted for approximately 20% of the Group's total turnover, representing a decrease of approximately 4% over prior year.

Promotional Items Business

The Group has consistently implemented its strategy of diversifying its product offering whereas sales of new products such as lenticular plastic products, new promotional items and label printing products have experienced considerable sales growth. The turnover of promotional items division amounted to approximately HK\$40,973,000, accounted for approximately 28% of the Group's turnover, representing an increase of approximately 32% over corresponding period in last year.

EFFECT OF DEFERRED TAX

In prior years, deferred taxation was accounted for only in respect of taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallize in the foreseeable future. Following the adoption of revised Statement of Standard Accounting Practice as set out in note 1 to the financial statements, which requires full recognition or provision of deferred tax assets or liabilities for all temporary differences, accordingly the Group's deferred tax charge for the year, which was principally arising from the Group's accelerated tax depreciation, was substantially increased from approximately HK\$1,730,000 in last year to approximately HK\$4,940,000 this year.

於年內，本集團投資約1,200萬港元購置了全新的五色水油印刷機及六色輪轉商標印刷機等設備，成功擴大包裝品、商標與光柵印刷的生產能力，以滿足客戶日漸提高對產品質量與準確交付的長期需求。就此而言，在完成有關的安裝工程後，本集團設於深圳沙井鎮的生產設施，其生產能力將相對提升。

紙制禮品業務

紙制禮品業務錄得營業額約29,660,000港元，佔本集團總營業額約20%，較去年下降約4%。

宣傳品業務

由於本集團一貫實行產品多元化策略，光柵塑製品、新的宣傳以及商標產品的銷售額則顯著增長。期間宣傳品業務的營業額為約40,973,000港元，佔本集團總營業額約28%，較去年同期上升約32%。

遞延稅項的影響

於以往年度，遞延稅項僅計入收支項目於會計與稅務計算而引致之重大時差（而預期該等時差極有可能於可見將來實現）的稅項影響。由於年中採納了有關遞延稅項之經修訂會計實務準則（載於財務報告附註1）（該會計準則強制要求企業需就一切會計與稅務方面引致的暫時性時差，作出遞延稅項資產或負債的確認或撥備），本集團於年內的遞延稅項開支（主要源自於本集團稅務處理上的加速折舊項目）大幅增加，由去年的約1,730,000港元增至本年度的約4,940,000港元。

BUSINESS OUTLOOK

Looking ahead in the forthcoming financial year and with the distinctive revival in consumer confidence in the domestic retail market resulting from the prevailing favorable economic policies (such as the "Closer Economic Partnership Arrangement" and "Solotour") and the continuous economic growth in China (especially following its gradual accession into World Trade Organization and successful bidding for the hosting of 2008 Olympic Games), we believe the demands for packaging printing, paper gift and promotional item products in Hong Kong and China will significantly be resurgent in the forthcoming years. Although the price fluctuations in major raw materials and the implementation of macroeconomic austerity program in China will continuously be the challenges affecting the profitability of the domestic printing industry generally, with the Group's established reputation and commitment in product quality, the Group is optimistic that it will resume to its track of profitability in the near future.

APPRECIATIONS

Finally, I give my sincerest thanks to my fellow directors and our colleagues for their unwavering dedications and significant contributions rendered under such extremely difficult market condition. I am confident that their endeavors will continue to strive for the satisfactory results of the Group in the year ahead. On behalf of the Board, I would also like to take this opportunity to extend our heartfelt gratitude to our shareholders, customers, bankers and business associates for their continuous support to the Group.

NG Man Chan
Chairman

28th July 2004

業務展望

展望來年，隨著當前有利經濟政策（如「更緊密經貿關係安排」及「自由行」）的逐步落實，以及中國經濟的持續增長（尤其在其逐步加入世界貿易組織及成功申辦二零零八年奧運會後），本地零售市場的消費信心明顯復蘇，我們相信，未來數年香港及中國對包裝印刷、紙制禮品及宣傳品的需求將顯著回升。來年，儘管主要原材料的價格波動以及內地之宏觀調控措施等因素還會對本地印刷行業的盈利能力構成隱憂；但是，憑藉本集團卓著的信譽以及對產品質量的執著追求，本集團有信心於不遠的將來恢復盈利。

致謝

最後，本人謹此向集團各董事及員工致以衷心謝意，彼等在去年市況極度艱難的時候，仍然堅定不移為本集團作出最大努力及貢獻。本人深信，彼等的努力將於來年繼續為本集團帶來理想業績。同時，本人謹代表董事會全人感謝股東、客戶、往來銀行及業務夥伴一直以來的鼎力支持。

主席
吳文燦

二零零四年七月二十八日