



## **BUSINESS REVIEW AND PROSPECTS**

### **Highlights For The Six-Month Period**

For the first half-year, the Group recorded an unaudited consolidated turnover of HK\$238,833,000 representing a decrease of 14% as compared with the same period of last year's turnover of HK\$278,490,000.

The Group recorded a drop in net profit to HK\$10,054,000, representing a decrease of 39% as compared with the same period of last year's net profit of HK\$16,504,000. EBITDA (earnings before finance costs, taxation, depreciation and amortisation) for the six months also dropped by 9% to HK\$34,317,000 from last period's HK\$37,910,000.

### **Business Review**

#### **Books Printing Division**

Despite of global competition, the Books Printing Division recorded a slight increase in turnover as compared with the same period of last year. However, in light of the sharper economic slowdown of US economy, it is expected to receive greater price pressures on orders to be placed by buyers. The management will keep on improving product quality and providing professional customer services to counteract the demand on price reduction.

#### **Commercial Printing Division**

The Commercial Printing Division recorded a double-digit decrease in turnover reflected the high comparison base of 2000. During the period under review, competition in local commercial printing market was increasingly fierce. Stimulation for expenditure on advertising materials was weakened due to smaller-than-expected rebound of Hong Kong's economic performance in this period. The demand for corporate printing was also weakened due to stagnation of listing and financial activities. Under the adverse market circumstances, sustained price reduction is expected to keep clients. However, the sales and marketing team will continue to explore the market for potential customers and committed to improving the sales performance for the second half year.





### **Packaging Printing Division**

Witnessing the slowdown of manufacturing industries, especially the toy and electronic industries and late starting of peak season, the demand for packaging printing was dropped significantly in the first six months as compared with last year's sales in the same period. The Packaging Printing Division will diversify its client base in order to minimise seasonal fluctuation and maximise the use of production facilities.

Upon completion of Dongguan Plant's extension, the Packaging Printing Division is well prepared to take up new business opportunities when China successfully enters into the World Trade Organization in the foreseeable future

### **Financial Positions**

As at 30th June, 2001, the Group's bank balances and cash amounted to HK\$124,645,000 (31st December, 2000 audited: HK\$127,215,000) and bank and other borrowings amounted to HK\$128,002,000 (31st December, 2000 audited: HK\$190,894,000). The Group's net bank borrowings to equity ratio (being all bank and other borrowings less bank balances and cash as a ratio to shareholders' funds) improved from 23% at 31st December, 2000 to 1% at 30th June, 2001. Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars and US dollars, risk in exchange rate fluctuation would not be material.

### **Prospects**

Given recent economic and political events, the business environment for the second half of this year is particularly uncertain. As noted in the "Business Review" section above, the Group has suffered from a slowdown in its existing printing business, with aggregate turnover decreasing by approximately 14%. The Directors are consequently adopting more conservative strategies for the Group and implementing various measures in line with such strategies. As regards the printing business, management will take precautionary measures to tighten cost control and enhance productivity and competitiveness. The Directors will also look for ways to diversify the Group's activities and broaden its sources of income as suitable opportunities arise.