

Chairman's Statement



On behalf of the Directors I am pleased to report on the activities of our Group during the year 2000.

SUMMARY OF ANNUAL RESULTS

For the year ended 31 December 2000 total turnover increased by 13% to HK\$1,139 million (1999: HK\$1,005 million). Unfortunately due to certain exceptional factors which I explain in detail below the profit attributable to shareholders fell to HK\$ 70 million (1999: HK\$ 86 million) and earnings per share were 24.3 cents (1999: 31.4 cents).

We are pleased to declare a final dividend of 6.0 cents on our enlarged capital (1999: 7.0 cents). This means that shareholders will receive a total distribution for the year of 10.0 cents (1999: 10.5 cents).

REVIEW OF BUSINESS

The following is a divisional breakdown of our sales in value and as a percentage of the total.

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SALES OF DIFFERENT PRODUCTS

	% Growth in 2000	% Split	2000 HK\$'million	1999 HK\$'million
Case-bound Books	-5%	28%	321	337
Packaging	+6%	29%	328	310
Magazine	+16%	15%	167	144
Children's Books	+1%	14%	166	164
Financial Printing	N/A	11%	125	15
Colour Separation and Publishing	-8%	3%	32	35
		<u>100%</u>	<u>1,139</u>	<u>1,005</u>

You will note that the packaging and magazine divisions achieved useful growth. The figures also reflect for the first time our acquisition of Vite Limited. The geographical breakdown of our sales was similarly altered by Vite.

SALES IN DIFFERENT REGIONS

	% Growth in 2000	% Split	2000 HK\$'million	1999 HK\$'million
China (excluding Hong Kong SAR)	+3%	43%	483	470
Hong Kong SAR	+85%	23%	265	143
		<u>66%</u>	<u>748</u>	<u>613</u>
U.S.A.	+10%	23%	257	233
United Kingdom	-28%	5%	61	85
Others	-1%	6%	73	74
		<u>100%</u>	<u>1,139</u>	<u>1,005</u>

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Although the increase in sales last year was encouraging it was disappointing that this was not reflected in profitability. However we were impacted by some exceptional factors. First we took a loss of HK\$7.3 million on the sale of our share in Elegance Printing Company Limited. Having acquired Vite we considered retention of our minority stake in Elegance was an overlap of interest and although the sale raised HK\$ 25 million at the same time we had to accept a loss on the original investment. The second factor was turbulence in the price of the main range of papers which we use. A steep rise in many prices in the first half of the year resulted in substantially higher costs for financing our essential inventory and placed margins under pressure. At the same time in the European market we were faced by the additional problem of the weakening Euro which only served to intensify margin pressures. Finally the steep decline in the Hong Kong Stock market resulted in the postponement of a number of new issues and some anticipated IPO business for Vite did not materialize.

STRATEGIC DEVELOPMENTS

Despite the recent difficult trading conditions we remain confident in the future ability to develop our business. This has been reflected in various steps we have taken during the year. As anticipated in my report last year we went ahead with the installation of a web-press in our Beijing joint-venture. The results of this have been very encouraging to the extent that we are now considering the installation of a second web-press in Beijing. We have also increased our stake in the joint venture from 39.2% to 44.4 %.

The most significant development, announced since the end of the financial year and about which shareholders have been previously advised was the enlargement of our capital base and the issue of 25% of our total equity for an amount of HK\$166 million to a wholly owned subsidiary of the Jefferson Smurfit Group. Their renowned technical leadership in the packaging business and international sales of USD 20 billion will provide new opportunities for our Group especially as demand rises in China for superior packaging services. As a first step we are now considering an investment of HK\$ 100 million in a new packaging plant on our land at Dougguan. During the year 2000 in order to broaden our investor base and to provide additional working capital the Company issued HK\$50 million worth of new shares representing 10% of our enlarged capital at that time to an investment group led by Shaw Kwei and Partners. The combination of the equity injections from Shaw Kwei and the Jefferson Smurfit Group has reduced our overall gearing to some 25% and will provide balance sheet strength to facilitate our development strategy.

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BOARD OF DIRECTORS

Reflecting their investments we have had the pleasure of welcoming to our Board Mr. Kyle Shaw of Shaw, Kwei and Partners and Mr. Gerard McGann, Mr. Michael Smurfit Jr., and Mr. Alain Baudant from Jefferson Smurfit Group.

PROSPECTS

Clearly some of the factors influencing our performance last year were of a non-recurring nature. We also hope for less volatility in paper prices and indeed there are encouraging signs of a return to more normal conditions. While we remain confident in the long-term future of the company and our development strategy reflects this confidence, nevertheless we are always aware that the printing industry is a sensitive barometer of economic activity and some of our international markets are entering a period of sluggish growth. We are hopeful that buoyant consumer demand in China will help to offset some of the international weakness but overall we recognise that 2001 will not provide favourable trading conditions.

STAFF

This year will be the fortieth anniversary since the establishment of our Company. Our staff during this period has increased from an initial handful to a total now of over 4,000. At the same time as wishing to thank our staff for all their endeavours and commitment last year, I would wish to thank those who have been with us for many years and without whose loyalty and energy the company would not be so well positioned to-day.

JOHN YANG
CHAIRMAN

Hong Kong
15 March 2001