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TURNOVER AND GROSS PROFIT

Turnover increased by 13% from HK$1,005 million to HK$1,139 million, mainly due to the consolidation of the whole-year result of our wholly owned financial printing subsidiary, Vite Limited. Our gross profit margin decreased slightly from 28.9% in 1999 to 27.8% in 2000.

OPERATING PROFIT

Other revenues increased by approximately HK$5 million as a result of interest income from various sources.

Distribution costs mainly consist of freight charges which were substantially lower this year as a result of more FOB sales and the fact that the financial printing business incurs negligible freight and distribution expenses.

Administrative expenses as a ratio of sales rose to 11.5% in 2000 compared with 10.7% in 1999 mainly due to higher staff costs.

Operating profit (before other income and cost of finance) as a ratio to sales was 12.9% compared to 13.7% in 1999.

FINANCE COSTS

Finance costs increased by 22.7%, from HK$35.6 million in 1999 to HK$43.7 million in 2000. These higher costs resulted from the increased borrowings stemming directly from the higher inventory level of paper carried during the year.

RESULTS OF ASSOCIATES

The Group's associates recorded a total operating loss of HK$2.8 million during the year. Additionally, we disposed of our 43% share in Elegance Printing Company Limited, a Hong Kong based financial printing company. This created an exceptional loss of HK$7.3 million on the disposal.

Due to keen competition in the Hong Kong magazine industry, our publishing associated interest, Publishing Partner Limited reported a HK$3.6 million loss. We have acquired the remaining 50% interest of this associate, which will enable them to co-ordinate more effectively with our existing publishing division.

During the year we took a 23% stake in a newly established IT Group, Next Synthesis Inc., that concentrates on web related software business including, web site consulting, provision of training and software distribution services. The business suffered a small loss during the year.

In the year 2000, we also increased our stake in our Beijing associate from 39.2% to 44.4% by investing additional capital of US$3.1 million. The joint venture incurred a loss of HK$0.7 million during the year under review.

TAXATION

The Group pays both Hong Kong and PRC profits tax. Taxation increased by HK$8.8 million, to HK$16.9 million. The increased tax burden was largely due to the expiry of the tax free period enjoyed by most of our PRC subsidiaries.

MINORITY INTERESTS

The Group has 3 subsidiaries that have minority shareholders, the most significant of which is our Shanghai subsidiary, in which the PRC partners own 49%.

RETURN TO SHAREHOLDERS

Earnings per share decreased by 23%, from 31.4 cents to 24.3 cents. The proposed final total dividend is 6.0 cents which, together with the interim dividend of 4.0 cents, makes a dividend per share for the year 2000 of 10.0 cents, representing a decrease of 0.5 cents.

The dividend payout ratio for this year is 51.6% as compared to 33.4% last year. The company intends to maintain a reasonable return to shareholders notwithstanding the drop in net profits.

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WORKING CAPITAL

The stock turnover ratio increased by 1.5 months. Tense paper supply conditions since the end of 1999 caused an approximate 15% increase in average paper prices. In order to ensure an adequate supply of paper at a stable and reasonable price to satisfy anticipated orders from out clients, we increased our paper inventory up to the third quarter. The closing inventory was HK$70 million more than last year, representing a 36% increase.

	2000	**1999**
	HK$ million	HK$ million
Inventory	264.7	195.0
Direct Material Cost	508.4	493.0
Stock Turnover (months)	6.2	4.7

Trade receivables including discounted bills receivables decreased by HK$38.8 million, and the debtor turnover has slightly improved by 0.9 month in term of sales turnover. It was mainly the result of Vite's shorter credit period, as well as our tightened credit policy which has helped to improve the ratio.

	2000	**1999**
	HK$ million	HK$ million
Net Trade Receivables	242.5	286.9
Discounted Bills	71.3	65.7
	313.8	352.6
Turnover	1,139.4	1,004.9
Debtor Turnover (months)	3.3	4.2

The creditor turnover ratio has slightly decreased by 0.4 month. The Group had a shorter credit period as a result of more paper purchased in the PRC, where there is normally a shorter credit offer.

	2000	**1999**
	HK$ million	HK$ million
Trade Payables	85.9	127.6
Bills Payables	73.4	20.2
	159.3	147.8
Purchases	648.3	534.8
Creditor Turnover (months)	2.9	3.3

LIQUIDITY, CASH FLOW AND GEARING

The current ratio at year-end 2000 slightly improved from 1.1 in 1999 to 1.2. Net gearing ratio improved from 61% to 55%. The improvement was mainly contributed by the net proceeds of HK$48 million from the issuance of 30 million new shares to outside shareholders in June 2000. Despite the funds from this issue, net borrowings slightly increased by HK$11.9 million as a result of fixed asset purchases, working capital and higher inventory. During the year, the Group successfully refinanced its syndicated loan through a three-year HK$250 million term and revolving loan facility from the Hong Kong and Shanghai Banking Corporation. To provide sufficient working capital for our PRC operation, we have secured RMB250 million banking facilities for our Shenzhen, Dongguan and Shanghai subsidiaries. The main reasons to borrow RMB are the comparatively lower interest costs and the ability to hedge RMB investments in the PRC.

NET ASSET VALUE PER SHARE

Net asset value per share increased to HK$2.01 compared with HK$1.93 at the end of 1999. As of 15 March 2001, the market closing price was HK$1.62, a discount of approximately 20% to the net asset value per share as at 31 December 2000.