

- (ii) By an ordinary resolution passed at the Annual General Meeting of the Company held on 31st August, 2001, the issued share capital was increased by way of a bonus issue by applying HK\$8,357,500 standing to the credit of the share premium account in payment in full at par of 83,575,000 shares of HK\$0.1 each on the basis of one new share for every four shares held on 31st August, 2001. These shares ranked pari passu with the existing ordinary shares of the Company but were not entitled to the final dividend of HK1 cent each declared by the Company for the year ended 31st March, 2001.

#### 14. Contingent Liabilities

The Company provided corporate guarantees as set out below:

	<b>As at</b>	
	<b>30th September, 2001 (Unaudited) HK\$'000</b>	31st March, 2001 (Audited) HK\$'000
Corporate guarantee to banks for the provision of general banking facilities	<b>69,900</b>	69,900

#### **REVIEW OF OPERATION**

For the period under review, the Group reported a total turnover of approximately HK\$176.1 million and a net profit attributable to shareholders of approximately HK\$15.4 million. This represented a decrease of about 7.1% from the turnover of HK\$189.6 million and a decrease of about 4.7% from the net profit attributable to shareholders of HK\$16.1 million of the Group for the corresponding period of last year respectively.

Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children novelty books and commercial printing continued to be the Group's major activities and has accounted for about 95.2% of the total turnover of Group for the six months ended 30th September, 2001. Persistent severe competition and downward pricing pressure within the market continued to affect the turnover and profit margin of this division. For the period under review, the Group recorded a turnover of approximately HK\$167.6 million and a contribution to profit from operating activities of approximately HK\$16 million for this division, as compared to the turnover of approximately HK\$174.6 million and a contribution to profit from operating activities of approximately HK\$21.6 million of the corresponding period of last year respectively.

The Group is also engaged in the manufacture of hangtags, labels, shirt paper boards and plastic bags. For the six months ended 30th September, 2001, about 4.8% of the Group's total turnover in the amount of approximately HK\$8.5 million was attributable to this division. The contribution to profit from this division was approximately HK\$1.4 million for the period under review, as compared to the contribution to profit of approximately HK\$0.6 million of the corresponding period of last year.

The Group has effectively terminated all its investments in the Internet on-line game business following the completion of all the conditions of the agreement entered into between the Company and Sega.com, Inc. dated 6th February, 2001 (the "Agreement") on 7th May, 2001. Pursuant to the Agreement, the Company has agreed to dispose to Sega.com, Inc. of (i) its 100% equity interest in Sega.com Asia Networks Limited, the wholly owned subsidiary, at a cash consideration of US\$445,000 (equivalent to approximately HK\$3.5 million) and (ii) its 6.8% equity in the issued share capital of Sega.com PC Networks, Inc. for the transfer by Sega.com, Inc. of its 176,000,000 shares in the Company and a cash consideration of US\$480,000 (equivalent to approximately HK\$3.7 million). The 176,000,000 shares transferred from Sega.com, Inc. were cancelled by the Company and Sega.com, Inc. had ceased to have any shareholding in the Company. The disposals of (i) and (ii) above had resulted in a net gain of approximately HK\$1.1 million and was recorded in the period under review.

## **PROSPECTS**

The directors believe that the operating environment of the printing industry will be more difficult for the second half of the year. It is expected that the competition within the market will be even more intensive when the downturn effect of the recent September 11 terrorist attacks in the United States on the general global economic environment becomes more apparent. Customers will be more cautious in placing their orders under an uncertain economic environment. In order to maintain its competitiveness, every effort will be made by the Group to improve its operational efficiency, strengthen its production flexibility and expand its product ranges for a wider customer base. The Group will also look for and take on suitable business investments whenever suitable opportunities arise on a prudent basis in order to broaden its revenue stream.

In July 2001, the Group entered into an agreement with an independent third party private company for the subscription of a convertible redeemable note (the "Note") for HK\$24 million at an interest rate of 8% per annum. The private company is engaged in maintenance building works for the government departments of the Hong Kong Special Administrative Region. The outstanding principal amount of the Note may be converted into ordinary shares prior to its maturity in July 2003 by the Group. If the Note is not converted, it will be redeemed at par.

## **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. As at 30th September, 2001, the Group has available aggregate banking facilities of approximately HK\$64 million which were secured by legal charges on certain properties owned by the Group. The Group's cash and bank balances and short term bank deposits as at 30th September, 2001 amounted to approximately HK\$42.3 million. The Group's gearing ratio as at 30th September, 2001 was 3.3% (31st March, 2001: 4.2%), basing on the short term and long term interest bearing bank borrowings of HK\$10.3 million (31st March, 2001: HK\$18.3 million) and the shareholders fund of HK\$312.5 million (31st March, 2001: HK\$439.5 million).