

REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30th September 2001, the Group's turnover decreased by 13% to HK\$258 million (1.4.2000 to 30.9.2000: HK\$296 million). Profit before taxation was HK\$56 million, representing 1.8% increase from last year's figure of HK\$55 million. Net profit was HK\$50.9 million, similar with last year's figure of HK\$50.8 million. Basic earnings per share were 16.4 cents (1.4.2000 to 30.9.2000: 16.3 cents).

The Group's offset printing segment's turnover was dropped by 15% to HK\$168 million, whereas label printing segment's turnover was decreased by 7.4% to HK\$83 million. The drop of turnover was the mixed results of global economic slowdown, and fierce competition in the industry. Nevertheless, the Group is still able to alleviate such unfavourable impacts by adopting continued cost rationalization, tighter inventory control, and sourcing more channels for our products to enjoy competitive purchasing cost. In 2001, the steady paper cost was also a contributor for better profit margin. The administrative expenses were HK\$22 million (1.4.2000 to 30.9.2000: HK\$31.6 million). The closure of loss-making US operation and astute cost control measures accounted for such a decrease.

During the period under review, the Group spent about HK\$40 million (1.4.2000 to 30.9.2000: HK\$33 million) in property, plant and equipment. This included the purchase of two six-colour offset printing press, one silkscreen printing machine, and other supplementary equipments. The Group plan to invest HK\$10 million for new machineries as a means to enhance overall production efficiency and maintain the Group's competitive edge in the industry.

Hong Kong is now suffering from prolonged economic downturn. The "9-11" event has further exacerbated economic conditions in Asia during the period. The process of consolidation and recovery will take longer time to complete. Nonetheless, the Group will implement various measures to sustain its competitive advantage by relocating back-up office to Shenzhen, actively negotiating with our suppliers for favourable pricing, expanding our customer base and enhancing the work processes through technological improvement. China's entry to WTO poses an opportunity for business growth on the Mainland. The Group will capitalize on this opportunity to expand our clientele through competitive pricing and tailored-made service.

The management is confident that the Group will continue to grow at a well-managed pace.