

BUSINESS REVIEW

Packaging Printing Division

Encountering the slowdown of manufacturing industries, especially the toy and electronic industries, coupled with the late emerging of peak season, the demand for packaging printing has dropped slightly in the first six months as compared with last year's sales for the same period. Moreover, demand for wine boxes also decreased as compared with last year's sales for the same period.

Our Chengdu office in China was set up in May 2001. We expect more demand of wine boxes and other packaging boxes in the coming six months and in the future. We are well prepared to take up new business opportunities with the entry of China into the World Trade Organization.

Paper Gifts Division

The paper gifts division recorded a 21% decrease in turnover reflecting the sluggish economy in United States of America. ("USA"). With the recession in USA, the distributors for paper gifts to USA cut down their demand of paper gifts from us.

However, with our new and innovative concept in designing paper gifts, we expect the sales of paper gifts to increase in the second half of the year.

Promotional Items Division

During the period under review, the promotional items division recorded a 200% increase in turnover as compared with the same period in last year. The encouraging increase was attributable to the efforts of our sales and marketing team, which have brought in some international advertising agencies to the Group, thus strengthening our sales in this division for the first half of this year.

As our new advertising agencies are getting more familiar with the capabilities of our new printing press machine, we expect a much stronger demand in this division.