MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported a turnover of approximately HK$425 million (2001: HK$455 million) for the year under review. This represents a decrease of approximately 6.6% as compared to the corresponding period last year. Profit from ordinary activities before taxation and profit attributable to shareholders amounted to approximately HK$12.4 million and approximately HK$8.4 million respectively (2001: HK$26.0 million and HK$18.6 million).

During the year under review, the performance of the Group was adversely affected by the global economic slowdown. The difficult operating environment was further aggravated by the 11th September incident in the U.S., the repercussions of which on worldwide economic activities were clearly felt in the second half of the year. As a result, the Group recorded a decrease in both turnover and profit during the year under review. Although the sales to the PRC market remained steady, the sales to the local and overseas markets decreased by approximately 10.3% as compared to the corresponding period last year, reflecting the downturn in the underlying economies particularly following the 11th September event in the U.S.

During the year under review, the profit margins of the Group were under pressure due to keen competition within the packaging printing industry as local competitors adopted a price-cutting strategy under the difficult operating environment to secure customers' orders while the Group remained committed to maintaining the quality of its products. Nevertheless, the Directors believe that the Group's commitment to maintaining the quality of its products will enable it to strengthen its market position and its relationship with customers in the long term.

To alleviate pressure on profit margins under the competitive environment, the Group tightened its cost control measures during the year under review. Cost savings were achieved through the reduction in selling and distribution costs and administrative expenses, which fell by approximately 6.6% and approximately 1.9% respectively as compared to the corresponding period last year. Finance cost was also reduced by approximately 23.5% as the Group was able to take advantage of the reduction in interest rates during the year despite the fact that the amount of its borrowings was higher than that in the corresponding period last year. The increase in the Group's borrowings was due primarily to the strategic decision of the Group to expand its production facilities in the PRC to cater for its long term operational requirements, further details of which are discussed in the section headed Chairman's Statement.