

### FINANCIAL RESULTS

The Directors are pleased to announce that the audited profit attributable to shareholders of the Group for the year ended 31st December, 2003 amounted to HK\$52,362,000 (2002: HK\$49,772,000). Earnings per ordinary share were HK10.5 cents (2002: HK11.4 cents).

### DIVIDENDS

The Directors propose to declare a final dividend of HK3.0 cents (2002: HK2.8 cents) per ordinary share payable on or before 3rd June, 2004 to ordinary shareholders whose names appear on the Company's register of members on 20th May, 2004. An interim dividend of HK1.0 cent per ordinary share and a special dividend of HK1.2 cents (2002: nil) per ordinary share had been paid during the financial year. Therefore, total dividends per ordinary share amount to HK5.2 cents, representing an increase of 86% over last year.

### MANAGEMENT DISCUSSION ON RESULTS

Year 2003 was a challenging year for the Group. For the year ended 31st December, 2003, the Group achieved a satisfactory growth of 18% in turnover from HK\$574,090,000 to HK\$675,237,000. It was principally attributable to the growth of our export sales in book printing and paper products printing businesses.

During the year under review, gross profit increased by 17% to HK\$205,380,000 (2002: HK\$175,213,000). However, the Group incurred an increase of 17% in administrative and operating expenses to HK\$135,010,000 (2002: HK\$115,645,000). Such increase was mainly resulted from the significant rise in global freight charges in the shipping industry, as well as additional operating costs for the new processing plant in the PRC. Furthermore, the relocation of the Tsuen Wan plant in May 2003 gave rise to certain one-off relocation expenditures which included severance payment of approximately HK\$2 million. Nevertheless, profit before tax increased by 15% to HK\$59,673,000 (2002: HK\$51,850,000). Taxation expenses increased as a result of the increase in Hong Kong Profits Tax rate during the year as well as absence of overprovision written back in previous years. Therefore, net profit increased by 5% to HK\$52,362,000 (2002: HK\$49,772,000). Earnings before interest, tax, depreciation and amortisation increased by about 14% to HK\$99,336,000 (2002: HK\$87,306,000).



## BUSINESS REVIEW

### a) Printing Businesses

The Group's printing businesses focus on two growing market segments: book printing and paper products printing.

#### (1) Book Printing

The Group is one of the leading book printing solution providers and exporters in Asia. Our major customers of book printing are the global publishers in the world. To expand client base, the Group had tactically explored the markets in mainland China,



*The Group develops book-plus product lines*

the United States and certain European countries, which resulted in a 13% growth in our book printing turnover during the year.



*Excellent awards in local and international printing competitions, including the Benny Award*

2003 was a fruitful year for the Group in major printing competitions. The Group won a total of 22 awards in local and international printing competitions. Of which, 15 awards were awarded by the Printing Industries of America (PIA) including a Benny award and 7 awards in the Hong Kong Print Award including two championship awards.



(i) Yuanzhou Plant

To fulfill the growing demand for book printing from existing customers and prospective customers, the expansion of book printing facilities of the Yuanzhou plant was completed in the second quarter of 2003. Capital expenditures for book printing division in respect of plant, machineries



*8-color Press in Yuanzhou Plant*

and printing equipment amounted to HK\$33 million. It included the extension of the Yuanzhou plant from a gross floor area of 260,000 sq. ft. to 410,000 sq. ft., and the installation of a new 8-color perfecter. As a result, the Group's book printing capacity had substantially increased in printing, binding and hand-assembly capacity.



*The new phase of Yuanzhou Plant*



(ii) Processing plant in Dongguan

In May 2003, the Group set up a processing plant in Dongguan which is equipped with the machineries and facilities relocated from the Tsuen Wan plant. The processing plant is mainly to support book printing. During the first few months of its operation, this processing plant was not performing at the Group's expectation, and its operating efficiency was not satisfactory. In light of this, the Group implemented a series of measures, including the strengthening of operation and production flow and realignment of the operational team. As a result, performance of the processing plant has gradually been improved. With full production of this processing plant, it provides the Group with an additional 40% printing capacity to support the Yuanzhou Plant.

(2) *Paper Products Printing*

With a proactive strategy in sales and marketing, the Group had developed new business network in the overseas market for paper products and packaging



*Snapshots of Paper Products*

printing. Besides, with the growth in local PRC market, the Group had accomplished a 19% growth in the paper products printing sales for the year under review.

The Group had consistently implemented its diversification strategy in product mix. Paper products printing includes packaging products, commercial printing products, greeting cards, premium gift products and stationery items. To provide value-added services, the Group had promoted a series of generic paper product designs and concepts and were widely appraised by customers.



*Integrated Management System (IMS) Certificate*



*ISO 14001 Certificate*

During the year under review, the Group invested about HK\$40 million in machineries and printing equipment, including the installation of a 6-color full size printing press, paper corrugator and other ancillary post-press facilities in the Dongguan plant, which had greatly increased its printing capability and competitiveness. With the accreditation of the Integrated Management System Certificate (IMSC) in 2003, the Dongguan plant became one of the first printing factories in Asia that complied with quality, environmental management, occupational health and safety management systems.



*OHSAS 18001 Certificate*



*ISO 9001 Certificate*

### **b) Property Division**

The property division generated a stable rental income throughout the year. The Group's property interests have a total floor area of 920,500 sq. ft. which comprises Chuang's Garden, Lambda Building, and Yuen Sang Building in Huiyang, the PRC, and 51% interests in a commercial podium and basement of Chengdu Chuang's Centre in Sichuan, the PRC. During the year under review, rental income amounted to HK\$15 million.



*Chengdu Chuang's Centre, Chengdu, Sichuan*



### LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2003, the Group's bank balances and cash amounted to HK\$169 million (2002: HK\$182 million) while bank borrowings and obligations under finance leases amounted to HK\$118 million (2002: HK\$87 million), of which HK\$71 million (2002: HK\$39 million) are due from the second to fifth year. Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of about HK\$51 million (2002: HK\$95 million) over bank borrowings and obligations under finance leases.

Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars, U.S. dollars and Renminbi, risk in exchange rate fluctuation would not be material. Interest on bank borrowings was charged at variable commercial rates prevailing in Hong Kong and the PRC. At the balance sheet date, certain assets of the Group with net book value of HK\$106 million (2002: HK\$109 million) had been pledged to secure borrowings granted to the Group.

During the year under review, the Group redeemed 83,333,333 Series B preference shares of the Company at HK\$0.60 each, totalling HK\$50 million. Furthermore, Chuang's China Investments Limited exercised its rights to convert all the remaining 72 million Series A preference shares of the Company into 144,000,000 ordinary shares of the Company. Subsequent to 31st December, 2003, the Group redeemed 83,333,332 Series B preference shares of the Company at HK\$0.60 each, totalling HK\$50 million. Accordingly, as at the date hereof, the Group has only in issue HK\$98.5 million of Series B preference shares.

### PROSPECTS

Business environment for printing business in 2004 continues to be positive, as the export trend to overseas market is still strong and the domestic growth rate in the PRC is high. Therefore, the Group believes there will have enormous business opportunities for printing business in both domestic market of the PRC and the export markets in the America, Europe and



*The Group participated in 2003 International Book Fair, Frankfurt*



Australasia. In this respect, the Group will continue its marketing efforts to develop new customers and expand our product range, and recruit additional sales and marketing personnel overseas. In 2004, the Group will actively participate in several international trade fairs and exhibitions, namely the Book Expo of America, the Bologna Children's Book Fair, the Beijing International Book Fair, the Frankfurt Book Fair, the Frankfurt Paper World 2004 and the Total Processing and Packaging Fair.

The Group shall implement proactive pricing strategy to increase its sales volume, gross profit and market share for both book printing and paper products printing businesses. Increasing paper prices is an important factor affecting the total cost of the Group. To minimize the effect of such unfavorable factor relating to the soar of paper prices, the Group will apply control measures such as maintaining a stable paper cost through strategic procurement and effective forecast measures. To mitigate the adverse effect of increase in administrative and operating expenses, the Group will improve its logistics arrangement in order to curtail the rise in freight charges. In addition, the Group will implement a stringent production, operations and management control procedure in the production plants in the PRC, in particular to improve the operating efficiency of the processing plant in Dongguan, so as to maintain an efficient production system and to achieve an effective cost control.

In providing the "Total Printing Solution" services, the Group will continue to invest strategically in new technology, staff training, high quality equipment and facilities to take better advantage of economic recovery, so as to maintain our strategic niche in the printing industry. In 2004, the Group invested in two new 5-colour printing presses and has installed an additional binding facility. On top of this, the Group will actively implement further capital expenditure plan to enhance its printing capacity and capability. As for prepress facilities, computer-to-plate is now becoming more sophisticated. The Group will monitor the development of technology and market requirements in order to keep upgrading its prepress capabilities.



### **CLOSING OF REGISTER**

The register of members will be closed from Tuesday, 18th May, 2004 to Thursday, 20th May, 2004, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 17th May, 2004.

### **STAFF**

As at 31st December, 2003, the Group, including its subcontracting processing plant, employed approximately 2,750 staff and workers, with their remuneration normally reviewed annually. The Group also provides its staff with other benefits including year-end double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

### **APPRECIATION**

On behalf of the board of directors, I would like to express my heartfelt thanks to all management and staff for their dedicated contribution. With the support of my colleagues, I am confident that we can look ahead and continue to maximize our resources to bringing greatest reward to our shareholders.

### **Chan Sheung Chiu**

*Chairman*

Hong Kong, 25th March, 2004