

Chairman's Statement

FINANCIAL RESULTS

The Board of Directors (the "Directors") announce that the audited profit attributable to ordinary shareholders of the Company for the year ended 31st December, 2006 amounted to HK\$17,630,000 (2005: HK\$43,014,000). Earnings per ordinary share were HK3.3 cents (2005: HK8.1 cents).

DIVIDENDS

The Directors propose to declare a final dividend of HK1.2 cents (2005: HK3.3 cents) per ordinary share payable on or before 14th June, 2007 to ordinary shareholders whose names appear on the Company's register of members on 30th May, 2007. An interim dividend of HK1.2 cents (2005: HK1.2 cents) per ordinary share had been paid during the year. Therefore, total dividends per ordinary share amounted to HK2.4 cents (2005: HK4.5 cents).

MANAGEMENT DISCUSSION ON RESULTS

I was appointed Chairman on 27th February, 2007. The mission that I would carry out is to reshape the Group's business model and I would implement cost cutting measures, broaden product range, extend market presence and explore other business opportunities.

2006 was an extremely difficult and disappointing year for the Group. Turnover amounted to approximately HK\$737,858,000, representing a decrease of approximately 2.7% when compared to HK\$758,303,000 of last year.

The Group experienced immense pressure on all main categories of costs: paper and other materials, labour, energy and logistics. Appreciation of the Renminbi also caused the Group's operational costs to rise further, resulting in the fall in the overall gross margin by 2.5% to 25.8%. Gross profit for the year decreased by 11.3% to HK\$190,517,000 (2005: HK\$214,725,000).

Other income increased by 1.7% to HK\$18,603,000 (2005: HK\$18,284,000). Selling expenses decreased by 10.2% to HK\$63,887,000 (2005: HK\$71,146,000). Administrative and other expenses increased by 12.3% to HK\$113,289,000 (2005: HK\$100,914,000). Finance costs decreased slightly to HK\$6,822,000 (2005: HK\$7,196,000).

Profit before taxation was HK\$25,122,000 (2005: HK\$53,753,000) and profit attributable to ordinary shareholders of the Company for the year amounted to HK\$17,630,000 (2005: HK\$43,014,000). Earnings before interest, tax, depreciation, and amortisation (EBITDA) amounted to HK\$65,449,000 (2005: HK\$94,725,000).

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BUSINESS REVIEW

a) Printing Division

The printing business continues to be the principal business of the Group, having contributed a turnover amounted to HK\$733,464,000 (2005: HK\$744,657,000) which accounted for 99.4% of the Group's turnover.

In order to alleviate the difficult trading environment mentioned above, the Group will take proactive measures to deal with the situation, including developing higher margin products, broadening customer base and implementing effective cost control.

As regards developing higher profit margin products, the Group will allocate more resources into the research and development of innovative products such as original designed products, products with electronic components and pop-up books, and will put additional efforts in the marketing and promotion of these higher margin products.

To cater for the anticipated growth of these higher margin products, there is a need for the expansion of the hand assembly lines. Accordingly, the Group will vacate the premises of Lambda Building with gross floor area of about 138,000 sq. ft. in Huiyang, the People's Republic of China (the "PRC"), for its own use and has identified a factory site of about 100 mu in Dongguan, the PRC for purchase, so as to build additional factory space.



◀ Stationery items



Packaging products ▶

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▲ Innovative pop-up books

▼ Art books and pop-up books



As regards broadening its customer base, the Group will extend its sales presence, set up sales representative offices and recruit additional sales and marketing personnel in the major cities of the USA, Europe and the PRC. The Group will also continue to actively participate in major printing fairs in overseas and the PRC to meet clients.



▲ Bologna Children's Book Fair

▼ Frankfurt Book Fair



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As regards implementing cost control measures, the Group will adjust its product mix strategy so as to fully utilize its production capacity, especially in the off-peak production season. The Group will also rationalize its organization structure and streamline its administrative and production workflows so as to increase the contribution per staff. In this respect, the management has already set up work improvement teams to enhance its operational efficiency and effectiveness.

It has always been the Group's objective to commit premier printing quality and caring service, this was evidenced by the fact that the Group has won twenty nine printing awards (including four Benny Awards) in the Premier Print Award 2006 in the United States, three championship awards in the Hong Kong Print Award 2006, one Best of the Best Award, six gold awards in the International Gallery of Superb Printing 2006, and seven awards in the Asian Print Award 2006.



◀ *Four Benny Awards*



Three Championship Awards in the Hong Kong Print Award 2006 ▶

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b) Other Business

The Group's property interests in Yuen Sang Building and Lambda Building with a total gross floor area of about 380,000 sq. ft. are partially leased and partially occupied by the Group. The Group also owns Chuang's Garden in Huiyang, the PRC, with a total gross floor area of 300,000 sq. ft.. In January 2007, the Group acquired the commercial podium of Chuang's Garden to unify the ownership of the whole property. In order to generate additional income for the property division, the Group has commenced a feasibility study for the modification of Chuang's Garden to hotel style service apartment. The Group's interest in the 6th floor of Chengdu Chuang's Centre has a gross floor area of about 45,800 sq. ft. in Chengdu, Sichuan, the PRC. The Group will dispose of this property to provide additional working capital to the Group. During the year under review, rental income of the property division amounted to HK\$4,394,000 (2005: HK\$13,646,000).

PROSPECTS

Looking ahead, the Group believes that the overall business environment would continue to be challenging. Nevertheless, with our commitment to provide quality and professional printing solutions to its customers, the Group is confident to tackle the challenges ahead and will implement appropriate strategies so as to minimize the impact of those negative factors against the Group. Meanwhile, the Group will look for new business opportunities so as to broaden its income stream.

LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2006, the Group's bank balances and cash amounted to HK\$86,430,000 (2005: HK\$138,214,000) while bank borrowings amounted to HK\$118,163,000 (2005: HK\$145,670,000), of which HK\$80,113,000 (2005: HK\$100,163,000) are due from the second to fifth year. The Group's net bank borrowings amounted to HK\$31,733,000 (2005: HK\$7,456,000) and its net bank borrowings to equity ratio (being all bank and other borrowings less bank balances and cash as a ratio to shareholders' funds) is 7%. 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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2006 with the code provisions set out in Appendix 14 — Code on Corporate Governance Practices of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The Audit Committee has been established by the Company to review and supervise the Company's financial reporting process, internal controls and review the relationship with the auditors. The Audit Committee has held meetings in accordance with the relevant requirements and has reviewed the results for the year ended 31st December, 2006. The current members of the Audit Committee are

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three Independent Non-Executive Directors, Mr. SHEK Lai Him, Abraham, J.P., Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming and a Non-Executive Director, Mr. Dominic LAI. The Audit Committee has recommended the re-appointment of the Auditors and approved the remuneration of the Auditors.

The Company has adopted the Model Code (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSING OF REGISTER

The register of members will be closed from Monday, 28th May, 2007 to Wednesday, 30th May, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 25th May, 2007.

STAFF

As at 31st December, 2006, the Group, including its subcontracting processing plants, employed approximately 3,000 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 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 bring greatest reward to our shareholders.

HUNG Ting Ho, Richard

Chairman

Hong Kong, 20th April, 2007