



**CHUNG TAI PRINTING HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

**INTERIM REPORT  
SIX MONTHS ENDED 30<sup>TH</sup> SEPTEMBER 2002**

## GROUP INTERIM RESULTS

The directors of Chung Tai Printing Holdings Limited (the “Company”) are pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002 as follows:–

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended	
		30.9.2002	30.9.2001
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	<b>302,802</b>	258,074
Cost of Sales		<b>(208,016)</b>	(169,270)
Gross profit		<b>94,786</b>	88,804
Interest income		<b>541</b>	849
Other operating income		<b>193</b>	91
Distribution costs		<b>(12,064)</b>	(10,836)
Administrative expenses		<b>(24,431)</b>	(22,404)
Profit from operations	4	<b>59,025</b>	56,504
Finance costs		<b>(394)</b>	(57)
Profit before taxation		<b>58,631</b>	56,447
Taxation	5	<b>(5,875)</b>	(5,522)
Profit for the period		<b>52,756</b>	50,925
Dividend	6	<b>9,304</b>	8,407
Earnings per share	7		
– Basic		<b>16.0 cents</b>	16.4 cents
– Diluted		<b>15.9 cents</b>	15.9 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at <b>30.9.2002</b>	As at 31.3.2002
		<b>HK\$'000</b> <b>(Unaudited)</b>	HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	8	<b>273,206</b>	264,429
Current assets			
Inventories		<b>80,071</b>	59,513
Trade and other receivables	9	<b>180,082</b>	98,474
Tax recoverable		<b>2,034</b>	2,636
Short-term bank deposits		<b>26,084</b>	60,831
Bank balances and cash		<b>22,985</b>	24,716
		<b>311,256</b>	246,170
Current liabilities			
Trade and other payables	10	<b>63,373</b>	56,495
Taxation payable		<b>3,329</b>	2,150
Bank borrowings	11	<b>18,009</b>	–
		<b>84,711</b>	58,645
Net current assets		<b>226,545</b>	187,525
Total assets less current liabilities		<b>499,751</b>	451,954
Non-current liability			
Deferred taxation		<b>16,564</b>	14,126
Net asset		<b>483,187</b>	437,828
<b>CAPITAL AND RESERVES</b>			
Share Capital	12	<b>33,228</b>	31,138
Reserves		<b>449,959</b>	406,690
Shareholders' funds		<b>483,187</b>	437,828

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002**

	Share Capital	Share premium	Capital redemption reserve	Retained Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	31,138	63,268	63	310,003	404,472
Dividends paid	–	–	–	(18,617)	(18,617)
Profit for the period	–	–	–	50,925	50,925
At 30 September 2001, and at 1 October 2001	31,138	63,268	63	342,311	436,780
Dividends paid	–	–	–	(8,473)	(8,473)
Profit for the period	–	–	–	9,521	9,521
At 31 March 2002, and at 1 April 2002	31,138	63,268	63	343,359	437,828
Dividends paid	–	–	–	(19,937)	(19,937)
Profit for the period	–	–	–	52,756	52,756
Exercise of share options	2,090	10,450	–	–	12,540
At 30 September 2002	<u>33,228</u>	<u>73,718</u>	<u>63</u>	<u>376,178</u>	<u>483,187</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002**

	<b>Six months ended</b>	
	<b>30.9.2002</b>	30.9.2001
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash (used in) from operating activities	<b>(21,473)</b>	42,641
Net cash used in investing activities	<b>(25,223)</b>	(44,635)
Net cash from (used in) financing activities	<b>10,218</b>	(20,317)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(36,478)</b>	(22,311)
Cash and cash equivalents at beginning of the period	<b>85,547</b>	72,499
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>49,069</b>	50,188
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalent as previously reported	–	37,763
Effect of reclassification of bank import loans	–	12,425
	<hr/>	<hr/>
Cash and cash equivalents as restated	<b>49,069</b>	50,188
	<hr/> <hr/>	<hr/> <hr/>
Being:		
Short-term bank deposits	<b>26,084</b>	26,295
Bank balances and cash	<b>22,985</b>	23,893
	<hr/>	<hr/>
	<b>49,069</b>	50,188
	<hr/> <hr/>	<hr/> <hr/>

## **1. Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”.

## **2. Principal Accounting Policies**

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted for the preparation of the interim financial report are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2002.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. Turnover

Turnover represents the net amounts received and receivables for good sold during the period

#### Geographical Segments

The Group's turnover and results are substantially derived from the printing business. Accordingly, the geographical segments are considered to be the primary reporting segments to the Group.

The following is an analysis of the Group's turnover and results for the six months ended 30 September 2002 and 2001 by location of customers.

Income statement for the six months ended 30 September 2002

	Hong Kong	Other regions in the People's Republic of China	Europe	United States of America	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	215,762	8,856	18,828	37,867	21,489	302,802
Segment profit	41,673	1,710	3,636	7,314	4,151	58,484
Interest income						541
Interest expense						(394)
Profit before taxation						58,631

### 3. Turnover (Continued)

Income statement for the six months ended 30 September 2001

	Hong Kong	Other regions in the People's Republic of China	Europe	United States of America	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	185,431	4,472	11,031	44,084	13,056	258,074
Segment profit	39,572	990	2,442	9,760	2,891	55,655
Interest income						849
Interest expense						(57)
Profit before taxation						56,447

### 4. Profit from operations

	Six months ended	
	30.9.2002	30.9.2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation and amortization	16,988	14,851



## 5. Taxation

	<b>Six months ended</b>	
	<b>30.9.2002</b>	30.9.2001
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Profit for the period		
Hong Kong	<b>3,219</b>	4,597
Overseas	<b>218</b>	125
	<b>3,437</b>	4,722
Deferred taxation	<b>2,438</b>	800
	<b>5,875</b>	5,522

Hong Kong Profits Tax is calculated at 16% (1.4.2001. to 30.9.2001: 16%) on the estimated assessable profit for the period.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The deferred taxation is attributable to the tax effect of timing differences because of excess of depreciation allowances claimed for taxation purposes over depreciation.

There was no significant unprovided deferred taxation for the period or at the balance sheet date.

## 6. Dividend

	<b>Six months ended</b>	
	<b>30.9.2002</b>	30.9.2001
	<b>HK\$'000</b>	HK\$'000
Interim dividend proposed	<b>9,304</b>	8,407

## 6. Dividend (Continued)

Subsequent to the balance sheet date, the directors determined that an interim dividend of HK2.8 cents per share (1.4.2001 to 30.9.2001: HK2.7 cents) be paid to the shareholders of the Company whose name appear in the Register of Members on 3 January 2003.

Based on outstanding number of shares of 332,277,280 (30.9.2001: 311,377,280 shares), total proposed interim dividend amounts to HK\$9,304,000 (1.4.2001 to 30.9.2001: HK\$8,407,000).

## 7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Six months ended</b>	
	<b>30.9.2002</b>	30.9.2001
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Earning for the purpose of basic and diluted earnings per share (profit for the period)	<u>52,756</u>	<u>50,925</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>329,536,296</b>	311,377,280
Effect of dilutive potential shares – share options	<u>1,911,464</u>	<u>8,198,387</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>331,447,760</b></u>	<u>319,575,667</u>

## 8. Additions to property, plant and equipment

During the period, the Group spent approximately HK\$26 million on additions to manufacturing plant in the PRC to expand its manufacturing capacity.

## 9. Trade and other receivables

Trade and other receivables include trade receivables of approximately HK\$156,837,000 (31.3.2002: HK\$93,549,000). An aged analysis of the trade receivables is as follows:

	<u>30.9.2002</u>	30.9.2001
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>54,594</b>	36,907
31-60 days	<b>48,446</b>	19,844
61-90 days	<b>30,169</b>	19,763
over 90 days	<b>23,628</b>	17,035
	<u>156,837</u>	93,549
Deposits, prepayments and other debtors	<b>23,245</b>	4,925
	<u>180,082</u>	<u>98,474</u>

The Group's credit terms on sales generally range from 60 to 90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial position.

## 10. Trade and other payables

Trade and other payables include trade payables of approximately HK\$51,085,000 (31.3.2002: HK\$39,530,000). An aged analysis of the trade payables is as follows:

	<u>30.9.2002</u>	<u>30.9.2001</u>
	HK\$'000	HK\$'000
0-30 days	17,035	17,823
31-60 days	16,931	16,801
61-90 days	12,733	860
over 90 days	4,386	4,046
	<u>51,085</u>	<u>39,530</u>
Accrued expenses and other payables	8,843	10,400
Bills payable	3,445	6,565
	<u>63,373</u>	<u>56,495</u>

## 11. Bank borrowings

The bank borrowings are unsecured and are repayable within one year.

## 12. Share capital

	Number of shares	Share Capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized:		
At 1 April 2002 and at 30 September 2002	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2002	311,377,280	31,138
Exercise of share options	<u>20,900,000</u>	<u>2,090</u>
At 30 September 2002	<u>332,277,280</u>	<u>33,228</u>

### 13. Capital Commitments

	<u>30.9.2002</u>	<u>30.9.2001</u>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the financial statements	<u>7,338</u>	<u>13,801</u>

### 14. Other commitments

As at 30 September 2002, the Group was committed to acquire bonds of approximately HK\$2,340,000 (31.3.2002: nil).

### 15. Related party transaction

During the six months ended 30 September 2002, the Group sold goods of approximately HK\$1,489,000.00 (1.4.2001 to 30.9.2001: HK\$643,000) to a related company. The goods were sold at prices similar to those prices offered to other clients. Mr. Suet Chai Kit, Christopher is one of the shareholders in the related company.

## INTERIM DIVIDEND

The Board has recommended an interim dividend of HK2.8 cents per share for the six months ended 30 September 2002 payable on or before 8 January 2003 to shareholders whose names appear on the register of members on 3 January 2003.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 30 December 2002 to 3 January 2003 both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar in Hong Kong, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 noon on 27 December 2002.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES**

The Company has not redeemed any of its share during the six months ended 30th September 2002. Neither the Company nor any of its subsidiaries has purchased or sold any shares in the company during the period.

## **EMPLOYEE**

As at 30 September 2002, the total number of employees of the Group was approximately 3,620.

The Group reviews remuneration packages from time to time and increases are generally annually. Special adjustments are also made when required. Aside from salary payments, other staff benefits include contributions to a Retirement Benefit Scheme and medical subsidies.

## **SUBSTANTIAL SHAREHOLDER**

Save for Mr. Suet Chai Kit Christopher's interests in the shares of the Company referred to below, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10 percent or more of the issued capital of the Company as at 30 September 2002.

## DIRECTORS' INTERESTS IN SHARES

### (i) Shares in the Company

At 30 September 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of interests) Ordinance (“SDI” Ordinance) were as follows:

Name of director	Number of shares held		
	Personal interests	Corporate interests	Other interests
Mr. Suet Chai Kit, Christopher	13,700,000	–	185,660,000 (note 1)
Mr. Lau Chin Hung	8,250,000	–	–
Ms. Ng Wai Chi	10,170,000	–	–
Mr. Suet Che Hin	–	19,120,000 (note 2)	–

*Notes:*

1. These shares were beneficially owned by CNA Company Limited (“CNA”) which in turn is beneficially owned by the CNA Trust, a discretionary trust whose objects include the children of Mr. Suet Chai Kit, Christopher.
2. These shares were beneficially owned by Goodhope Assets Limited, a company in which Mr. Suet Che Hin has a beneficial interest.

## **DIRECTORS' INTERESTS IN SHARES (Continued)**

### **(ii) Shares in subsidiaries**

At 30 September 2002, CNA and Ms. Ng Wai Chi beneficially owned deferred non-voting shares in the following subsidiaries of the Company:

<b>Name of subsidiary</b>	<b>Name of owner</b>	<b>Number and par value of deferred non-voting shares</b>
Chung Tai Management Limited	CNA	2 shares of HK\$ 1 each
Chung Tai Printing (China) Company Limited	CNA	100 shares of HK\$ 100 each
Chung Tai Printing Company Limited	CNA	3,000 shares of HK\$ 100 each
Profit Link Investment Limited	CNA	2 shares of HK\$ 1 each
The Greatime Offset Printing Company, Limited	Ng Wai Chi CNA	500 shares of HK\$ 100 each 9,500 shares of HK\$ 100 each

The deferred shares carry no rights to dividends nor to receive notice of nor to attend or to vote at any general meeting of the relevant companies or to participate in any distribution on winding up.

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group by a director, as at 30 September 2002, none of the directors and chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or had exercised any such right during the period.



## SHARE OPTION SCHEME

Pursuant to the share option scheme (the “Scheme”) adopted by the Company on 17 August 1992, the directors of the Company may grant options to employees, including executive directors, of the Company and its subsidiaries to subscribe a maximum of 10 percent of the issued share capital of the Company from time to time. On 26 April 2000, the Company granted share options in favour of the following directors to subscribe for ordinary shares in the Company’s share capital at an exercise price of HK\$ 0.60 per ordinary share exercisable between 26 April 2000 to 25 April 2002.

Name of director	Date of grant	Number of options				Outstanding at 30 September 2002
		Outstanding at 1 April 2002	Granted during the period	Exercised during the period*	Lapsed during the period	
Suek Chai Kit, Christopher	26.4.2000	11,900,000	–	11,900,000	–	–
Suek Chai Hong	26.4.2000	9,000,000	–	–	9,000,000	–
Ng Wai Chi	26.4.2000	9,000,000	–	9,000,000	–	–

\* The weighted average closing price of the shares of the Company immediate before the dates on which the share options were exercised is HK\$1.152.

The Option scheme was expired on 16 August, 2002 and no new option scheme was adopted for the six months ended 30 September 2002.

## **CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS**

Details of the discloseable connected transaction and directors' interest in contracts for the current period are set out in note 15 to the financial statements

The independent non-executive directors of the Company have reviewed and confirmed that the connected transaction as set out in note 15 to the financial statements entered into by the Group were in the ordinary course of its business and on normal business terms.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the current period.

## **REVIEW OF INTERIM RESULTS**

The interim report of the Group for the six months ended 30 September 2002 has not been audited, but has been reviewed by Audit Committee of the Board and the Group's auditors, Messrs Deloitte Touche Tohmatsu.

## **CODE OF BEST PRACTICE**

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2002, in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **REVIEW OF OPERATIONS AND PROSPECTS**

For the six months ended 30 September 2002, the Group achieved a turnover of HK\$303 million (1.4.2001 to 30.9.2001: HK\$258 million). Net profit for the period grew by 3.6% to HK\$53 million. Basic earnings per share were 16.0 cents (1.4.2001 to 30.9.2001: 16.4 cents).

The increase in turnover was mainly attributable to overall improvement in market sentiment with modest growth in Hong Kong's export to North America. Domestic sale in PRC has boosted by deeper market penetration of our sales team. As our group made better utilization of plant capacity, we were able to fulfill more orders from the customers. Nevertheless, our gross profit margin was dropped by 3.1% to 31.3% (1.4.2001 – 30.9.2001: 34.4%) in response to rising paper cost and overall increase in direct labour cost. Administration cost was about 8% of sales, which is similar to the same period last year.

During the period under review, the Group spent about HK\$26 million (1.4.2001 to 30.9.2001: HK\$40 million) in property, plant and equipment. It included one six-colour offset press, two die-cutters, and various infrastructure projects of our PRC plant. The Group plan to invest further HK\$25 million for new machineries and production facilities as a measure to maintain the Group's position in the industry.

The global political and economic condition for the second half of this financial year remains uncertain. The expected economic recovery takes a longer time to complete. In view of this, the consumers become much cautious in daily spending. Fierce competition in the industry will have negative impact on our profit margin. To overcome the challenges ahead, the Group will continue to enforce cost rationalization initiatives, improve overall efficiencies through streamlining internal workflow, and expand general production capacity through renting a new factory of 15,000 square metres near the existing PRC plant. In the meantime, the Group will devise plans to nurture a "learning organization" culture to enhance overall efficiency and effectiveness of the company's operation.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30 September 2002, the Group's shareholders' funds amounted to HK\$483 million (31 March 2002: HK\$438 million). The gearing ratio was 3.7% (31 March 2002: nil), which is calculated based on the Group's total borrowings of HK\$18 million (31 March 2002: nil) and the shareholders funds of HK\$483 million (31 March 2002: HK\$438 million).

At 30 September 2002, the Group had working capital of HK\$227 million, which included inventories of HK\$80 million, trade and other receivables of HK\$182 million, and bank balances, cash and short-term deposit of HK\$49 million. The Group's total borrowings amounted to HK\$18 million, which are unsecured and are repayable within one year.

Transactions of the Group are mainly denominated either in Hong Kong or US dollars, such that the Group does not have significant exposure to foreign exchange fluctuation. No hedging for the foreign currency transactions has been carried out during the period under review.

Management believes that existing financial resources will be sufficient to meet business operations. Meanwhile, the Group will seek investment opportunity for maximising returns and obtain additional financing on favourable terms.

On behalf of the Board  
**Suek Chai Kit, Christopher**  
*Chairman*

Hong Kong, 6 December 2002