

Chairman's Statement

Results

I am pleased to report Chung Tai Printing Holdings Limited's annual results for the year ended 31 March, 2003.

The audited consolidated profit for the year of the Company and its subsidiaries ("the Group") was HK\$55,118,859. Basic earnings per share based on the weighted average number of 330,845,773 shares in issue amounted to HK16.7 cents.

Dividends

The directors are pleased to recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK6.0 cents per share for the year ended 31 March, 2003 to the members whose names appear on the Register of Members on 22 August, 2003. Together with the interim dividend of HK2.8 cents per share paid in January 2003, total dividends for the year amounted to HK8.8 cents per share. Subject to the approval of shareholders at the aforesaid Annual General Meeting, the final dividend will be paid on or before 28 August, 2003.

Review of Operations and Prospects

During the year under review, the Group recorded a turnover of HK\$511 million, representing an increase of 14%, compared to HK\$449 million last year. The gross profit margin slipped to 27% from last year's 34%. Net profit was HK\$55 million (2002: HK\$60 million). Basic earnings per share amounted to HK16.7 cents (2002: HK19.4 cents).

The global economy has continued to be uncertain, market sentiment is still weak, and consumer spending has been delayed or postponed. Despite all these difficulties, the Group was still able to achieve a sales growth of 14% from last year. This was attributable to our continuous commitment to supply quality goods at competitive prices to our



customers, and to marketing efforts with the aim of increasing our customer base. With China's admission into the WTO and the gradual deregulation thereafter, there are ample opportunities for Hong Kong manufacturers. The Group was able to exploit this opportunity by doubling our sales volume in China market. The Group's overall profitability had been adversely affected by price competition in the product market, substantial increase in factory labour costs, diesel consumption in the China plant, and rising paper costs during the year under review.

Distribution costs slightly increased by 5% to HK\$22 million (2002: HK\$21 million). Administration expenses dropped by HK\$6 million to HK\$59 million (2002: HK\$66 million), as the positive impact of cost control measures began to emerge.

During the year under review, the Group spent about HK\$51 million (2002: HK\$71 million) on property, plant and equipment acquisition. The expenditure mainly included two six-colour offset presses, one auto silkscreen label machine, and various infrastructure projects in our China plant. The Group will continue to make capital investments in new facilities, and enhance the efficiency of our existing facilities, so that we can deliver tailor-made service to our customers.

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As stated before, global economic conditions are still stagnant. This, together with political uncertainties, have slowed down the pace of recovery. A fierce price war is still prominent in the printing industry. Nevertheless, the Group is optimistic that we can deliver good performance in 2003/2004, by virtue of the following factors:

- Cost control measures will be strengthened. The Group will assign senior staff to form cost study teams for the following critical areas: production efficiency, labour costs, raw material usage and diesel consumption. We foresee such action will improve the overall profitability of the Group.
- Our new factory in Aobei, which is near the existing China plant, commenced operations in early 2003, and production capacity will be expanded to cater for the increasing demands of our customers.
- We will invest in state-of-the-art technology for improving product quality and enhancing overall efficiency. A computer-to-plate ("CTP") system was installed to provide customers with a digital filmless solution. It will shorten the production cycle.
- The Group will focus on the development of human resources. In-house management programs and seminars will be held to improve staff members' on-the-job skills. A company-wide knowledge database will be built up to facilitate the sharing of information.

Financial Position

During the year under review, the Group continued to maintain a strong cashflow. At 31 March, 2003, net current assets and current ratio of the Group were approximately HK\$211 million and 4:1 respectively. The current assets comprised inventories of approximately HK\$83 million, trade and other receivables of approximately HK\$111 million, investments in securities worth approximately HK\$11 million, and bank balance and

cash of amounts of approximately HK\$68 million. The Group's total borrowings amounted to HK\$18 million, which are unsecured and repayable within one year.

At 31 March, 2003, Shareholders' funds of the Group were HK\$476 million (31 March, 2002: HK\$438 million). The gearing ratio was 3.8% (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\$476 million. (31 March, 2002: HK\$438 million).

The Group's dividend payout ratio as a percentage of its earning is about 53%. The Directors will closely monitor the dividend policy to ensure that our investors are well rewarded for their on-going support.

The Group had limited exposure to fluctuations in foreign currencies as most transactions are denominated in Hong Kong dollars, US dollars and Renminbi. No hedging for the foreign currency transactions has been carried out during the year under review.

Employees

As at 31 March, 2003, the total number of employees of the Group was approximately 2,950.

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.

On behalf of the Board of Directors, I would like to thank the Group's management and staff for their efforts and hard work. I would also like to thank our shareholders for their continuous support.

Dr. Suek Chai Kit, Christopher
Chairman

Hong Kong, 18 July, 2003