



**CHUNG TAI PRINTING HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

**INTERIM REPORT**

**SIX MONTHS ENDED 30<sup>TH</sup> SEPTEMBER 2003**

## 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 2003 as follows :-

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		<u>30.9.2003</u>	<u>30.9.2002</u>
		( Unaudited )	( Unaudited )
	Notes	HK\$ '000	HK\$ '000
Turnover	3	<b>288,619</b>	302,802
Cost of Sales		<b>(207,489)</b>	(208,016)
Gross profit		<b>81,130</b>	94,786
Interest income		<b>480</b>	541
Other operating income		<b>1,661</b>	193
Distribution costs		<b>(11,875)</b>	(12,064)
Administrative expenses		<b>(25,950)</b>	(24,431)
Profit from operations	4	<b>45,446</b>	59,025
Finance costs		<b>(313)</b>	(394)
Profit before taxation		<b>45,133</b>	58,631
Taxation	5	<b>(4,509)</b>	(5,875)
Profit for the period		<b>40,624</b>	52,756
Dividend	6	<b>9,304</b>	9,304
Earnings per share	7		
- Basic		<b><u>12.2 cents</u></b>	<u>16.0 cents</u>
- Diluted		<b><u>N/A</u></b>	<u>15.9 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at <b>30.9.2003</b> ( Unaudited ) HK\$ '000	As at 31.3.2003 ( Audited ) HK\$ '000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	8	<u>276,655</u>	<u>279,891</u>
Current assets			
Inventories		75,268	83,220
Trade and other receivables	9	164,625	110,688
Tax recoverable		-	37
Investments in securities		2,375	10,835
Short-term bank deposits		66,587	35,233
Bank balances and cash		<u>18,852</u>	<u>33,214</u>
		<u>327,707</u>	<u>273,227</u>
Current liabilities			
Trade and other payables	10	60,759	44,384
Taxation payable		2,733	167
Bank borrowings	11	<u>28,649</u>	<u>17,838</u>
		<u>92,141</u>	<u>62,389</u>
Net current assets		<u>235,566</u>	<u>210,838</u>
Total assets less current liabilities		<u>512,221</u>	<u>490,729</u>
Non-current liability			
Deferred taxation		<u>15,288</u>	<u>14,483</u>
Net asset		<u>496,933</u>	<u>476,246</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	12	33,228	33,228
Reserves		<u>463,705</u>	<u>443,018</u>
Shareholders' funds		<u>496,933</u>	<u>476,246</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003**

	<u>Share Capital</u>	<u>Share premium</u>	<u>Capital redemption reserve</u>	<u>Retained Profits</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
<hr style="border-top: 1px dotted black;"/>					
At 30 September 2002, and at					
1 October 2002	33,228	73,718	63	376,178	483,187
Dividends paid	-	-	-	(9,304)	(9,304)
Profit for the period	-	-	-	2,363	2,363
<hr style="border-top: 1px dotted black;"/>					
At 31 March 2003, and at					
1 April 2003	33,228	73,718	63	369,237	476,246
Dividends paid	-	-	-	(19,937)	(19,937)
Profit for the period	-	-	-	40,624	40,624
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At 30 September 2003	33,228	73,718	63	389,924	496,933
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003**

	<b>Six months ended</b>	
	<b>30.9.2003</b>	30.9.2002
	<b>( Unaudited)</b>	( Unaudited)
	<b>HK\$ '000</b>	HK\$ '000
Net cash from (used in ) from operating activities	<b>30,129</b>	(21,473)
Net cash used in investing activities	<b>(4,036)</b>	(25,223)
Net cash (used in ) from financing activities	<b>(9,101)</b>	10,218
	<b>16,992</b>	(36,478)
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	<b>68,447</b>	85,547
	<b>85,439</b>	49,069
Cash and cash equivalents at end of the period		
Analysis of the balances of cash and cash equivalents		
Short-term bank deposits	<b>66,587</b>	26,084
Bank balances and cash	<b>18,852</b>	22,985
	<b>85,439</b>	49,069

## **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") No. 25 "Interim Financial Reporting".

## **2. Principal Accounting Policies**

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2003, with the exception of below SSAP.

### **Income Taxes**

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any special transitional requirements in SSAP12 (Revised), the new accounting policy has been applied retrospectively, but the adoption of the SSAP has not had any 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 receivable for goods 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 2003 and 2002 by location of customers.

Income statement for the six months ended 30 September 2003

	<u>Hong Kong</u>	<u>Other regions in the People's Republic of</u>	<u>United States of America</u>	<u>Europe</u>	<u>Other</u>	<u>Consolidated</u>
	HK\$'000	China "PRC" HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	206,177	10,481	40,853	10,505	20,603	288,619
Segment profit	32,121	1,633	6,365	1,637	3,210	44,966
Interest income						480
Interest expense						(313)
Profit before taxation						45,133

### 3. Turnover (Continued)

Income statement for the six months ended 30 September 2002

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

### 4. Profit from operations

Profit from operations has been arrived at after charging (crediting):

	Six months ended	
	<u>30.9.2003</u>	<u>30.9.2002</u>
	HK\$'000	HK\$'000
Depreciation and amortization	16,212	16,988
Profit on sales of investment in securities	(44)	-



## 5. Taxation

	Six months ended	
	30.9.2003	30.9.2002
	HK\$'000	HK\$'000
The charge comprises:		
Profit for the period		
Hong Kong	3,467	3,219
Other jurisdictions	237	218
	<u>3,704</u>	<u>3,437</u>
Deferred taxation ( note 13 )		
Current period	(482)	2,438
Attributable to change in tax rate in Hong Kong	1,287	-
	<u>805</u>	<u>2,438</u>
	<u>4,509</u>	<u>5,875</u>

Hong Kong Profits Tax is calculated at 17.5% (1.4.2002. to 30.9.2002:16%) on the estimated assessable profit for the period.

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

In June 2003, the Hong Kong Profits Tax was increased from 16% to 17.5% with effect from year of assessment 2003/2004. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 30 September 2003.

## 6. Dividend

	Six months ended	
	30.9.2003	30.9.2002
	HK\$'000	HK\$'000
Interim dividend proposed	<u>9,304</u>	<u>9,304</u>

## 6. Dividend ( Continued )

Subsequent to the balance sheet date, the directors determined that an interim dividend of HK2.8 cents per share (1.4.2002 to 30.9.2002:HK2.8 cents) be paid to the shareholders of the Company whose names appear in the Register of Members on 2 January 2004.

Based on the number of shares outstanding of 332,277,280 (30.9.2002 :332,277,280 shares), total proposed interim dividend amounts to HK\$9,304,000 (1.4.2002 to 30.9.2002:HK\$9,304,000).

## 7. Earnings per share

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

	Six months ended	
	30.9.2003	30.9.2002
	HK\$'000	HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period )	40,624	52,756
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	332,277,280	329,536,296
Effect of dilutive share options		1,911,464
Weighted average number of ordinary shares for the purpose of diluted earnings per share		331,447,760

The share options expired on 16 August 2002.

## 8. Additions to property, plant and equipment

During the period, the Group spent approximately HK\$13 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\$157,344,000 (31.3.2003: HK\$102,328,000). An aged analysis of the trade receivables is as follows:

	30.9.2003	31.3.2003
	HK\$'000	HK\$'000
0-30 days	53,371	34,782
31-60 days	46,818	21,364
61-90 days	30,047	18,481
over 90 days	27,108	27,701
	157,344	102,328
Deposits, prepayments and other debtors	7,281	8,360
	164,625	110,688

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\$48,418,000 (31.3.2003:HK29,032,000 ). An aged analysis of the trade payables is as follows :

	30.9.2003	31.3.2003
	HK\$'000	HK\$'000
0-30 days	20,354	13,939
31-60 days	14,266	5,258
61-90 days	8,773	3,749
over 90 days	5,025	6,086
	48,418	29,032
Accrued expenses and other payables	10,168	9,787
Bills payable	2,173	5,565
	60,759	44,384

## 11. Bank borrowings

	30.9.2003	31.3.2003
	HK\$'000	HK\$'000
Short-term bank loans	17,000	-
Import loans	11,649	17,838
	28,649	17,838

During the period, the Group obtained new short-term bank loans in the amount of HK\$17,000,000 which bear interest at market rates and are repayable over a period of three months. The import loans bear interest at market rates, unsecured and are repayable within one year.

## 12. Share capital

	Number of <u>shares</u>	<u>Share Capital</u> HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized:		
At 1 April 2002, 31 March 2003 and 30 September 2003	500,000,000	50,000
Issued and fully paid :		
At 1 April 2002	311,377,280	31,138
Exercise of share options	20,900,000	2,090
At 31 March 2003 and 30 September 2003	332,277,280	33,228

## 13. Deferred Taxation

The following is the deferred tax liability recognised by the Group and movements there on during the current and prior reporting period.

	HK\$'000
At 1 April 2002	14,126
Charge to income for the period	2,438
At 30 September 2002 and at 1 October 2002	16,564
Credit to income for the period	(2,081)
At 31 March 2003 and at 1 April 2003	14,483
Charge to income for the period	805
At 30 September 2003	15,288

The amount mainly represent tax effect of timing differences because of excess of tax allowances over depreciation.

At 30 September 2003 and 31 March 2003, the Group has unused tax losses carried forward of approximately HK\$14,400,000 and HK\$12,900,000 respectively, but no deferred tax asset has been recognised in the financial statements due to the unpredictability of future profit streams.

#### 14. Capital Commitments

	30.9.2003	31.3.2003
	HK\$'000	HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the financial statements	6,603	6,246

#### 15. Contingent liabilities

A subsidiary of the Company together with two former employees are defendants in a lawsuit in the PRC relating to a claim of approximately HK\$3,000,000 (31.3.2003: HKD3,000,000) by the plaintiff for copyright infringement of a printing technology claimed to be owned by the plaintiff. While the final outcome of the proceeding is uncertain, in the directors' opinion, the ultimate liability of the Group, if any, will not have a material impact upon the Group's financial position.

#### 16. Related party transactions

During the six months ended 30 September 2003, the Group sold goods of approximately HK\$1,834,000.00 (1.4.2002 to 30.9.2002 : HK\$1,489,000 ) to a related company. The goods were sold at prices similar to those prices offered to third party customers, Dr. Suek Chai Kit, Christopher, director of the Company, is one of the shareholders of 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 2003 payable on or before 7 January 2004 to shareholders whose names appear on the Register of Members on 2 January 2004.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 29 December 2003 to 2 January 2004 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 Registrars, Secretaries Limited of G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 noon on 24 December 2003.

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

The Company has not redeemed any of its share during the six months ended 30 September 2003. 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 2003, the total number of employees of the Group was approximately 4,000.

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 SHAREHOLDERS**

As at 30 September 2003, the interest or short positions of every position, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows :-

<b>Name of Shareholder</b>	<b>Number of Ordinary Shares Held</b>	<b>Percentage of issued share capital</b>
CNA Company Limited	185,660,000	55.88
Goodhope Assets Limited	19,120,000	5.75

Saved as disclosed above, as at 30 September 2003, the directors of the Company were not aware of any other person who had an interest or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **DIRECTORS' INTEREST IN SHARES**

As at 30 September 2003, the interest and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:-



## DIRECTORS' INTEREST IN SHARES - CONTINUED

### Shares in the Company

Name of Director	Personal interests	Corporate interests	Other interests	Total interests
Dr. Suek Chai Kit Christopher	13,700,000	-	185,660,000 (note 1)	199,360,000
Ms. Ng Wai Chi	10,170,000	-	-	10,170,000
Mr. Suek Che Hin	-	19,120,000 (note 2)	-	19,120,000

#### 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 Dr. Suek Chai Kit, Christopher.
2. These shares were beneficially owned by Goodhope Assets Limited, a company in which Mr. Suek Che Hin has a beneficially interest.

Save as disclosed above, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of the SFO as at 30 September 2003.

## **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 16 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 16 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 2003 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 2003, 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 reported period, the Group recorded a turnover of HK\$289 million representing a marginal decrease of 4.7% or HK\$14 million as compared to the last corresponding period. Net profit for the period decreased by HK\$12 million to HK\$41 million. Basic earnings per share were 12.2 cents.(1.4.2002-30.9.2002 : 16.0 cents)

During the reported period, our group's operation was affected by weak market sentiment, in response to the outbreak of SARS, unstable political situation in the Middle East, and continued competitive market environment. Gross profit margin dropped to 28% as compared to 31% of the last corresponding period. The overall wages and diesel fuel of our PRC plant remained on a high level, it exerted pressure on the overall profitability. Administrative expenses and distribution costs remained the same level as that of the last corresponding period.

For the six months ended 30 September 2003, the Group expended HK\$13 million (1.4.2002- 30.9.2002 : HK\$26 million ) in property, plant and equipment. It mainly comprised a computer-to-plate system, some supplementary equipments, and factory installation project in PRC plant. For the second half of the year, the Group will invest further HK\$12 million for upgrading the production facilities, so that our competitiveness in the industry can be maintained.

As mentioned in 02/03 annual report, there was a lawsuit of approximately HK\$3,000,000 against a Group's subsidiary for copyright infringement of a printing technology. The case has not yet been settled, but the management believe that the ultimate liability will not have a significant impact on the Group's financial position.

Despite the difficult environment in the first half of the year, the management is still confident that the Group will maintain the same profit level of last year. The global economy, especially in USA, are recovering at a fast pace. Most economic indicators showed that consumer's confidence are drastically boosted. It stimulate the overall market sentiment. On the management side, cost control measures of our PRC plant has begun to bear fruit in the second half of the year. These, together with the internal reshuffle of the Group's operation, will reap positive result to our shareholders in the coming years.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's cash position was sound during the period under review. Its cash, bank, and short-term deposit were HK\$57 million, after deducting bank borrowings of HK\$29 million. (31 March 2003 : HK\$51 million). The gearing ratio was 5.83% (31 March 2003: 3.78%), which is computed based on the Group's total borrowings of HK\$29 million. (31 March 2003 : HK\$18 million) and the shareholders fund of HK\$497 million. (31 March 2003 : HK\$476 million ).

At 30 September 2003, the Group had working capital of HK\$236 million, which comprised inventories of HK\$75 million, trade and other receivables of HK\$165 million, investment in securities of HK\$2 million, and bank balances , cash and short-term deposit of HK\$85 million. The Group's total borrowings amounted to HK\$29 million which are unsecured and are repayable within one year.

Transactions of the Group are mainly denominated either in Hong Kong dollar, Renminbi, or US dollar, such that the Group's foreign exchange exposure is limited. There was no hedging activity during the period under review.

Management believes that its cash holding, liquid asset value, income stream and available banking facilities will be sufficient to fund the working capital requirements.

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

Hong Kong, 5 December 2003