



**CHUNG TAI PRINTING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**INTERIM REPORT  
SIX MONTHS ENDED 30 SEPTEMBER 2004**

## 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 2004 as follows:–

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

|                         | Notes | Six months ended  |             |
|-------------------------|-------|-------------------|-------------|
|                         |       | 30.9.2004         | 30.9.2003   |
|                         |       | HK\$'000          | HK\$'000    |
|                         |       | (Unaudited)       | (Unaudited) |
| Turnover                | 3     | <b>321,998</b>    | 288,619     |
| Cost of Sales           |       | <b>(234,196)</b>  | (207,489)   |
| Gross profit            |       | <b>87,802</b>     | 81,130      |
| Interest income         |       | <b>796</b>        | 480         |
| Other operating income  |       | <b>71</b>         | 1,661       |
| Distribution costs      |       | <b>(12,546)</b>   | (11,875)    |
| Administrative expenses |       | <b>(28,156)</b>   | (25,950)    |
| Profit from operations  | 4     | <b>47,967</b>     | 45,446      |
| Finance costs           |       | <b>(229)</b>      | (313)       |
| Profit before taxation  |       | <b>47,738</b>     | 45,133      |
| Taxation                | 5     | <b>(4,975)</b>    | (4,509)     |
| Profit for the period   |       | <b>42,763</b>     | 40,624      |
| Dividends               | 6     | <b>9,304</b>      | 9,304       |
| Earnings per share      |       |                   |             |
| – Basic                 | 7     | <b>12.9 cents</b> | 12.2 cents  |

**CONDENSED CONSOLIDATED BALANCE SHEET  
AT 30 SEPTEMBER 2004**

|                                       |       | As at<br><b>30.9.2004</b>             | As at<br>31.3.2004    |
|---------------------------------------|-------|---------------------------------------|-----------------------|
|                                       | Notes | <b>HK\$'000</b><br><b>(Unaudited)</b> | HK\$'000<br>(Audited) |
| <b>ASSETS AND LIABILITIES</b>         |       |                                       |                       |
| Non-current assets                    |       |                                       |                       |
| Property, plant and equipment         | 8     | <b>266,476</b>                        | 274,763               |
| Current assets                        |       |                                       |                       |
| Inventories                           |       | <b>79,227</b>                         | 69,080                |
| Trade and other receivables           | 9     | <b>204,711</b>                        | 122,287               |
| Investment in securities              |       | <b>7,812</b>                          | –                     |
| Short-term bank deposits              |       | <b>59,956</b>                         | 67,686                |
| Bank balances and cash                |       | <b>21,794</b>                         | 37,056                |
|                                       |       | <b>373,500</b>                        | 296,109               |
| Current liabilities                   |       |                                       |                       |
| Trade and other payables              | 10    | <b>67,632</b>                         | 47,541                |
| Taxation payable                      |       | <b>6,267</b>                          | 1,123                 |
| Bank borrowings                       | 11    | <b>32,152</b>                         | 10,586                |
|                                       |       | <b>106,051</b>                        | 59,250                |
| Net current assets                    |       | <b>267,449</b>                        | 236,859               |
| Total assets less current liabilities |       | <b>533,925</b>                        | 511,622               |
| Non-current liability                 |       |                                       |                       |
| Deferred taxation                     |       | <b>15,527</b>                         | 16,050                |
| Net assets                            |       | <b>518,398</b>                        | 495,572               |
| <b>CAPITAL AND RESERVES</b>           |       |                                       |                       |
| Share Capital                         | 12    | <b>33,228</b>                         | 33,228                |
| Reserves                              |       | <b>485,170</b>                        | 462,344               |
| Shareholders' funds                   |       | <b>518,398</b>                        | 495,572               |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

|  | Share<br>Capital | Share<br>premium | Capital<br>redemption<br>reserve | Retained<br>Profits | Total          |
|--|------------------|------------------|----------------------------------|---------------------|----------------|
|  | HK\$'000         | HK\$'000         | HK\$'000                         | HK\$'000            | HK\$'000       |
| At 1 April 2003                                | 33,228           | 73,718           | 63                               | 369,237             | 476,246        |
| Dividends paid                                 | –                | –                | –                                | (19,937)            | (19,937)       |
| Net profit for the period                      | –                | –                | –                                | 40,624              | 40,624         |
| At 30 September 2003,<br>and at 1 October 2003 | 33,228           | 73,718           | 63                               | 389,924             | 496,933        |
| Dividends paid                                 | –                | –                | –                                | (9,304)             | (9,304)        |
| Net profit for the period                      | –                | –                | –                                | 7,943               | 7,943          |
| At 31 March 2004,<br>and at 1 April 2004       | 33,228           | 73,718           | 63                               | 388,563             | 495,572        |
| Dividends paid                                 | –                | –                | –                                | (19,937)            | (19,937)       |
| Net profit for the period                      | –                | –                | –                                | 42,763              | 42,763         |
| At 30 September 2004                           | <u>33,228</u>    | <u>73,718</u>    | <u>63</u>                        | <u>411,389</u>      | <u>518,398</u> |

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

|   | <b>Six months ended</b> |             |
|---|-------------------------|-------------|
|   | <b>30.9.2004</b>        | 30.9.2003   |
|   | <b>HK\$'000</b>         | HK\$'000    |
|   | <b>(Unaudited)</b>      | (Unaudited) |
| Net cash (used in) from operating activities          | <b>(8,339)</b>          | 30,129      |
| Net cash used in investing activities                 | <b>(16,282)</b>         | (4,036)     |
| Net cash from (used in) financing activities          | <b>1,629</b>            | (9,101)     |
|   | <hr/>                   | <hr/>       |
| Net (decrease) increase in cash and cash equivalents  | <b>(22,992)</b>         | 16,992      |
| Cash and cash equivalents at beginning of the period  | <b>104,742</b>          | 68,447      |
|   | <hr/>                   | <hr/>       |
| Cash and cash equivalents at end of the period        | <b>81,750</b>           | 85,439      |
|   | <hr/> <hr/>             | <hr/> <hr/> |
| Analysis of the balances of cash and cash equivalents |                         |             |
| Short-term bank deposits                              | <b>59,956</b>           | 66,587      |
| Bank balances and cash                                | <b>21,794</b>           | 18,852      |
|   | <hr/>                   | <hr/>       |
|   | <b>81,750</b>           | 85,439      |
|   | <hr/> <hr/>             | <hr/> <hr/> |

# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

## **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 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 2004.

### 3. TURNOVER

Turnover represents the net amounts received and receivables 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 2004 and 2003 by location of customers.

Income statement for the six months ended 30 September 2004

|                        | Hong Kong | Other regions<br>in the People's<br>Republic<br>of China<br>("PRC") | United<br>States of<br>America | Europe   | Other    | Consolidated |
|------------------------|-----------|---|--------------------------------|----------|----------|--------------|
|                        | HK\$'000  | HK\$'000  | HK\$'000                       | HK\$'000 | HK\$'000 | HK\$'000     |
| Turnover               | 225,654   | 15,421  | 54,889                         | 7,228    | 18,806   | 321,998      |
| Segment profit         | 33,057    | 2,259   | 8,041                          | 1,059    | 2,755    | 47,171       |
| Interest income        |           |   |                                |          |          | 796          |
| Interest expense       |           |   |                                |          |          | (229)        |
| Profit before taxation |           |   |                                |          |          | 47,738       |

### 3. TURNOVER (CONTINUED)

Income statement for the six months ended 30 September 2003

|                        | Hong Kong | Other regions<br>in the<br>PRC | United<br>States of<br>America | Europe   | Other    | Consolidated |
|------------------------|-----------|--------------------------------|--------------------------------|----------|----------|--------------|
|                        | HK\$'000  | 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       |

### 4. PROFIT FROM OPERATIONS

|   | Six months ended |           |
|---|------------------|-----------|
|   | 30.9.2004        | 30.9.2003 |
|   | HK\$'000         | HK\$'000  |
| Profit from operations has been arrived<br>at after charging (crediting): |                  |           |
| Depreciation and amortization   | 17,553           | 16,212    |
| Profit on sales of investment in securities                               | —                | (44)      |

## 5. TAXATION

|   | <b>Six months ended</b> |                     |
|---|-------------------------|---------------------|
|   | <b>30.9.2004</b>        | 30.9.2003           |
|   | <b>HK\$'000</b>         | HK\$'000            |
| The charge comprises:                           |                         |                     |
| Profit for the period                           |                         |                     |
| Hong Kong                                       | 5,175                   | 3,467               |
| Other jurisdictions                             | 323                     | 237                 |
|   | <u>5,498</u>            | <u>3,704</u>        |
| Deferred taxation (note 13):                    |                         |                     |
| Current period                                  | (523)                   | (482)               |
| Attributable to change in tax rate in Hong Kong | –                       | 1,287               |
|   | <u>(523)</u>            | <u>805</u>          |
|   | <u><u>4,975</u></u>     | <u><u>4,509</u></u> |

Hong Kong Profits Tax is calculated at 17.5% (1.4.2003 to 30.9.2003: 17.5%) on the estimated assessable profit for the period.

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

## 6. DIVIDENDS

|                           | <b>Six months ended</b> |                     |
|---------------------------|-------------------------|---------------------|
|                           | <b>30.9.2004</b>        | 30.9.2003           |
|                           | <b>HK\$'000</b>         | HK\$'000            |
| Interim dividend proposed | <u><u>9,304</u></u>     | <u><u>9,304</u></u> |

## 6. DIVIDENDS (CONTINUED)

Subsequent to the balance sheet date, the directors determined that an interim dividend of HK2.8 cents per share (1.4.2003 to 30.9.2003: HK2.8 cents) be paid to the shareholders of the Company whose name appear in the Register of Members on 12 January 2005.

Based on number of shares outstanding of 332,277,280 (30.9.2003: 332,277,280 shares), total proposed interim dividend amounts to approximately HK\$9,304,000 (1.4.2003 to 30.9.2003: HK\$9,304,000).

## 7. EARNINGS PER SHARE

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

|   | <b>Six months ended</b>   |                    |
|---|---------------------------|--------------------|
|   | <b>30.9.2004</b>          | 30.9.2003          |
|   | <b>HK\$'000</b>           | HK\$'000           |
| <b>Earnings</b>   |                           |                    |
| Earning for the purpose of basic earnings<br>per share (net profit for the period)        | <b><u>42,763</u></b>      | <u>40,624</u>      |
| <b>Number of shares</b>   |                           |                    |
| Weighted average number of ordinary shares<br>for the purpose of basic earnings per share | <b><u>332,277,280</u></b> | <u>332,277,280</u> |

No dilutive potential share were outstanding during the six months periods ended 30 September 2004 and 30 September 2003. Accordingly, no amount is presented for diluted earnings per share.

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$9.3 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\$193,447,000 (31.3.2004: HK\$110,282,000). An aged analysis of the trade receivables is as follows:

|   | <b>30.9.2004</b> | 31.3.2004 |
|---|------------------|-----------|
|   | <b>HK\$'000</b>  | HK\$'000  |
| 0-30 days                               | <b>75,667</b>    | 37,793    |
| 31-60 days                              | <b>56,453</b>    | 33,829    |
| 61-90 days                              | <b>38,130</b>    | 12,935    |
| over 90 days                            | <b>23,197</b>    | 25,725    |
|   | <b>193,447</b>   | 110,282   |
| Deposits, prepayments and other debtors | <b>11,264</b>    | 12,005    |
|   | <b>204,711</b>   | 122,287   |

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 condition.

## 10. TRADE AND OTHER PAYABLES

Trade and other payables include trade payables of approximately HK\$58,595,000 (31.3.2004: HK34,894,000). An aged analysis of the trade payables is as follows:

|                                     | <u>30.9.2004</u> | <u>31.3.2004</u> |
|-------------------------------------|------------------|------------------|
|                                     | <b>HK\$'000</b>  | <b>HK\$'000</b>  |
| 0-30 days                           | <b>24,105</b>    | 18,778           |
| 31-60 days                          | <b>16,297</b>    | 10,559           |
| 61-90 days                          | <b>10,938</b>    | 3,139            |
| over 90 days                        | <b>7,255</b>     | 2,418            |
|                                     | <hr/>            | <hr/>            |
|                                     | <b>58,595</b>    | 34,894           |
| Accrued expenses and other payables | <b>9,037</b>     | 11,522           |
| Bills payable                       | –                | 1,125            |
|                                     | <hr/>            | <hr/>            |
|                                     | <b>67,632</b>    | <b>47,541</b>    |
|                                     | <hr/> <hr/>      | <hr/> <hr/>      |

## 11. BANK BORROWINGS

|                       | <u>30.9.2004</u> | <u>31.3.2004</u> |
|-----------------------|------------------|------------------|
|                       | <b>HK\$'000</b>  | <b>HK\$'000</b>  |
| Short-term bank loans | <b>13,000</b>    | –                |
| Import loans          | <b>19,152</b>    | 10,586           |
|                       | <hr/>            | <hr/>            |
|                       | <b>32,152</b>    | <b>10,586</b>    |
|                       | <hr/> <hr/>      | <hr/> <hr/>      |

During the period, the Group obtained new short-term bank loans of the amount of HK\$13,000,000 which bear interest at market rates and are repayable over a period of one month. The import loans bear interest at market rates, unsecured and are repayable within one year.

## 12. SHARE CAPITAL

|   | <b>Number of<br/>shares</b> | <b>Share Capital<br/><i>HK\$'000</i></b> |
|---|-----------------------------|--|
| Ordinary shares of HK\$0.10 each                        |                             |  |
| Authorized:   |                             |  |
| At 1 April 2003, 31 March 2004 and<br>30 September 2004 | <u>500,000,000</u>          | <u>50,000</u>                            |
| Issued and fully paid:                                  |                             |  |
| At 1 April 2003, 31 March 2004 and<br>30 September 2004 | <u>332,277,280</u>          | <u>33,228</u>                            |

## 13. DEFERRED TAXATION

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

|  | <i>HK\$'000</i>      |
|--|----------------------|
| At April 2003                              | 14,483               |
| Charge to income for the period            | <u>805</u>           |
| At 30 September 2003 and at 1 October 2003 | 15,288               |
| Charge to income for the period            | <u>762</u>           |
| At 31 March 2004 and at 1 April 2004       | 16,050               |
| Credit to income for the period            | <u>(523)</u>         |
| At 30 September 2004                       | <u><u>15,527</u></u> |

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

At 30 September 2004, the Group has estimated unused tax losses carried forward of approximately HK\$14,244,000 (31.3.2004: HK\$11,916,000), no deferred tax asset has been recognised in the financial statements due to the unpredictability of future profit streams.

#### 14. CAPITAL COMMITMENTS

|   | <u>30.9.2004</u> | <u>31.3.2004</u> |
|---|------------------|------------------|
|   | HK\$'000         | HK\$'000         |
| Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the financial statements | <u>11,823</u>    | <u>3,643</u>     |

#### 15. CONTINGENT LIABILITIES

A subsidiary of the Company together with two former employees are defendants in a law suit in the PRC relating to a claim of approximately HK\$3,000,000 (31.3.2004: HK\$3,000,000) 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 director's 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 2004, the Group sold goods of approximately HK\$493,000 (1.4.2003 to 30.9.2003: HK\$1,834,000) 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 2004 payable on or before 21 January 2005 to shareholders whose names appear on the register of members on 12 January 2005.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 6 January 2005 to 12 January 2005 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 G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 noon on 5 January 2005.

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

The Company has not redeemed any of its share during the six months ended 30 September 2004. 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 2004, the total number of employees of the Group was approximately 4,200.

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**

At 30 September 2004, the following shareholders have interest, directly or indirectly, or short positions in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

| <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                                      |

Save as disclosed above, the directors was not aware of any other person (other than the directors or chief executive of the Company) who has an interest, directly or indirectly, or short positions in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

## **DIRECTORS' INTEREST IN SHARES**

At 30 September 2004, the directors and their associates have the following interest or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Future Ordinance (the "SFO"), as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model

Code for Securities transactions by Director of Listed Companies (“Model Code”):-

**(i) Shares in the Company**

| Name of director               | Number of shares held |                        |                         | Total Interests |
|--------------------------------|-----------------------|------------------------|-------------------------|-----------------|
|                                | Personal interests    | Corporate interests    | Other interests         |                 |
| Dr. Suek Chai Kit, Christopher | 13,700,000            | –                      | 185,660,000<br>(note 1) | 199,360,000     |
| Ms. Ng Wai Chi                 | 10,170,000            | –                      | –                       | 10,170,000      |
| Mr. Suek Che Hin               | –                     | 19,120,000<br>(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 family member of Mr. Suek Che Hin has a beneficial interest.

Save as disclosed above, none of the directors and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

## **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 2004 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 2004, 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**

The total turnover of the Group's for the six months ended 30 September 2004 was HK\$321,998,000, which was 11.56% higher than the HK\$288,619,000 for the same period last year. Net Profit for the period increased by HK\$2 million to HK\$43 million. Basic earnings per share were HK\$12.9 cents (1.4.2003 – 30.9.2003: HK12.2 cents).

During the period under review, the Group was facing a very challenging operating environment. Rising oil and material price have impacted the overall global economy. Despite all these factors, the Group is still able to maintain a sale growth of 12% from the corresponding period of last year. Such increase was attributable to the Group's continuous effort of sourcing new customers, and maintaining close partnership with our existing customers. Gross profit margin was slightly decreased by 1% from the corresponding period last year. Raw material cost is gradually increasing. Nevertheless, the Group has already devised plans to minimize the unfavourable impact of the cost increase. Administration expenses registered a slight increase of HK\$2 million from that of the last corresponding period.

For the six months ended 30 September 2004, the Group spent HK\$9 million (1.4.2003 – 30.9.2003: HK\$13 million) in property, plant and equipment. It mainly included one creasing machine and other supplementary equipment. For the second half of the year, the Group will earmark an additional HK\$5 million for strengthening the overall production facilities.

As mentioned in last annual report, the lawsuit of approximately HK\$3,000,000 against a Group's subsidiary for copyright infringement of a printing technology has not yet been closed. But it is the management's opinion that the ultimate liability will not have a significant impact on the Group's financial position.

The Group will continue to enhance its productivity as well as cost effectiveness to satisfy the demands from the customers. Emphasis will be laid on exploring new market, developing new technologies, and sourcing new material to produce quality goods at affordable price. Besides, the management is constantly strengthening its capability to enhance better performance, so that we can sustain our competitiveness in printing industry.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continued to maintain a stable liquidity position throughout the period under review. Its cash, bank and short-term deposit were HK\$50 million, after deducting bank borrowings of HK\$32 million. (31 March 2004: HK\$94 million). The gearing ratio was 6.2% (31 March 2004: 2.2%), which is computed based on the Group's total borrowings of HK\$32 million (31 March 2004: HK\$11 million) and the shareholders fund of HK\$518 million (31 March 2004: HK\$496 million).

At 30 September 2004, the Group had working capital of HK\$267 million, which was composed of inventories of HK\$79 million, trade and other receivables of HK\$205 million, investments in securities of HK\$8 million, and bank balances, cash and short-term deposit of HK\$82 million. The Group's total borrowings amounted to HK\$32 million which are unsecured and are repayable within one year.

The majority of the Group's transactions are denominated 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.

In view of the cash inflow, the management is of the opinion that the Group has adequate cash resources for current business development and capital expenditure requirements.

On behalf of the Board  
**Chung Tai Printing Holdings Limited**  
**Dr. Suek Chai Kit, Christopher**  
*Chairman*

Hong Kong, 21 December 2004