RESULTS

I am pleased to report Chung Tai Printing Holdings Limited's annual results for the year ended 31 March, 2006.

The audited consolidated profit for the year of the Company and its subsidiaries ("the Group") was HK$57,456,573. Basic earnings per share based on the weighted average number of 332,277,280 shares in issue amounted to HK17.3 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, 2006 to the members whose names appear on the Register of Members on 28 August, 2006. Together with the interim dividend of HK2.8 cents per share paid in January 2006, 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 dividend will be paid on or before 29 August, 2006.

Review of Financial Results

The Group's consolidated revenue for the year under review reached HK$663 million (2005: HK$573 million), producing an encouraging growth of 16%. Being 22% of revenue, the gross profit for the year has increased to HK$146 million from last year of HK$136 million. The gross profit margin, however, has slightly decreased from previous year's 24% to 22%. The profit attributable to equity holders of the Group grew from last year of HK$54 million to this year of HK$57 million, representing a steady increase of 6%. The net profit margin accounted for 8.7% of the revenue which decreased from 9.5% of the revenue last year.

Business Review and Prospects

During the year, the overall business environment continued to improve along with the moderate growth of the global economy. The Group has again achieved persistent growth in both revenue and profit, mainly attributable to active market expansion, continuous capacity enhancement and rigorous cost control.

Same as previous years, the Group was still facing significant threats from competitive operating environment. Rising material prices, enduring high in oil price, increasing minimum wages of labour in China and appreciating value in RMB were critical elements, which indeed considerably imposed an adverse impact on the Group's performance. This undoubtedly reflected in the decreased gross profit margin and net profit margin despite of the improving revenue and profit. However, the Group will endeavor to maintain continuous growth of performance through cost control implementation and productivity enhancement.

For the year under review, the distribution cost notably rose by 24% to HK$31 million (2005: HK$25 million). The substantial increase was understandable mainly due to high price level of cruel oil and the sales growth by 16%. The administrative expenses amounted to HK$54 million (2005: HK$51 million) increased by 6%. The management will take initiatives to exercise the stringent cost control measures. The Group had capital expenditures of HK$42 million (2005: HK$33 million) principally composed of deposits paid for acquisition of land use right, production facilities, plant and machinery, and computer equipment. For the year ahead, the Group will further uplift the production capabilities, and boast the efficiency of existing facilities to achieve the prosperous profitability and shareholders' return.

Together with the critical impacts from fierce operating environment, the global economy remains susceptible to unforeseen events and the generally volatile economic market faces threat from gradual slowdown of global economic growth. However, the Group will formulate strategies pursuant to the ever-changing business environment placing in a good position to grasp any new development opportunities ahead. Sound business strategies and appropriate sales and marketing measures will also be deployed. Further, the management is committed to putting utmost efforts on exploring new markets, maintaining close partnership with existing customers, and sourcing new materials to produce quality goods at competitive prices.

The Group will foster the implementation of ERP system to improve the inventory control, enhance financial control and shorten delivery lead-time. In addition, the Group believes that such system will not only realize real-time management, but also promote Just-In-Time production management, and supply chain network for business expansion.

The development of human resources as invaluable role in our success has been crucially emphasized. In-house managerial programs and seminars are held for tactical and strategic management. The learning organization seminars (LO), set-up of action learning groups (AL) and diploma in management studies program (DMS) are the typical examples in point. On-the-job trainings are provided to front line staff, that enrich their knowledge & skill to perform assigned job duties.

In the years ahead, the Group will set up a new plant in Qingyuan of Guangdong province that symbolizes as a new chapter of growth. It is now acquiring the land use right in Qingyuan. Such large expansion involving substantial fund is believed to further boost production capabilities. Coupled with relative low-cost benefits in Qingyuan, synergies will be achieved through economies of scale, resources and technology sharing among our factories in Shenzhen. With solid foundation, the Group is well positioned to capture any emerging opportunity and enjoy impressive returns after the construction completed.

In the coming years, the target of the Group is positioned to enrich customer base with highly devised marketing strategy and sustain the growth momentum of the revenue. In addition, the Group management has demonstrated outstanding focus and dedication, shaping the organization with a view to long-term growth rather than short-term expediency. The Group remains confident to move further ahead in the years to come.

Liquidity and Financial Position

As at 31 March, 2006, the Group had approximately HK$29 million in cash. The Group's bank balances and cash, and short-term bank deposits were approaching HK$81 million (31 March, 2005: HK$68 million), after deducting bank borrowings of HK$7 million (31 March, 2005: HK$18 million). The net current ratio stood at 4.8:1, indicating ample cash flows and a strong liquidity position over the year. The gearing ratio was 1.3% (31 March, 2005: 3.5%), as calculated based on the group's total borrowings of HK$7 million (31 March, 2005: HK$18 million), which are unsecured and payable within one year, and shareholders' fund of HK$554 million (31 March, 2005: HK$521 million).

At 31 March, 2006, the Group had working capital surplus of HK$292 million (31 March, 2005: HK$266 million), which primarily comprised of inventories of HK$83 million, trade and other receivables of HK$169 million, investment held for trading of HK$29 million, and bank balances, cash and short-term deposit of HK$88 million, and less trade and other payables HK$67 million, taxation payable HK$3 million and bank borrowings HK$7 million.

The Group's transactions are mainly denominated in Hong Kong dollars, Renminbi and United States dollars and the foreign currency risk exposure is not significant during the year under review.

The Group generally finances its operation with internally generated cash flows and facilities provided by banks in Hong Kong. The high level of operating cash position continued to be maintained, thus reflecting the strength of its operating performance. Considering the anticipated internally generated funds and available banking facilities, the management believes that the Group has adequate resources to meet its future capital expenditures and working capital requirements. The management will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for its business. In the event of coming large project in Qingyuan, the Group will take consideration on the fund planning to finance adequately such material investment.

The Group's dividend payout ratio as a percentage of its earning is about 51%. The Board will closely monitor the dividend policy to ensure that our investors are well rewarded for their continuous support.

Employees

As at 31 March, 2006, the total number of employees of the Group was approximately 4,600.

The remuneration schemes are generally structured with reference to market conditions and the qualifications of the employees. The reward packages of the Group's staff are normally reviewed on an annual basis based on the staff and the Group's performances. Aside from salary payment, other staff benefits include contribution to a Retirement Benefit Scheme and medical subsidies provided to eligible employees. Staff training is also provided as and when required.

Acknowledgements

On behalf of the Board, I would like to thank all our shareholders, customers, suppliers, bankers and business partners for their continuous support during the year. I would also like to express my sincere gratitude to the management team and staff for their commitment and contributions to the Group. Their dedicated attitude has contributed to our satisfactory result in the difficult environment and will facilitate our prosperous development in future.

On behalf of the Board,
DR. SUEK CHAI KIT, CHRISTOPHER
Chairman

Hong Kong, 17 July, 2006