



CHUNG TAI PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

**INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHUNG TAI PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 16 which comprises the condensed consolidated balance sheet of Chung Tai Printing Holdings Limited as at 30 September 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six months then ended 30 September 2007 and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 December 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended	
		<u>30.9.2007</u>	<u>30.9.2006</u>
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	409,968	381,984
Cost of sales		<u>(327,527)</u>	<u>(297,486)</u>
Gross profit		82,441	84,498
Interest income		3,564	1,255
Fair value changes on investments			
held for trading		–	1,131
Other income		45	50
Distribution costs		(14,876)	(16,478)
Administrative expenses		(35,394)	(32,371)
Interest on bank borrowings wholly repayable within five years		<u>(143)</u>	<u>(198)</u>
Profit before taxation		35,637	37,887
Taxation	4	<u>(2,808)</u>	<u>(3,004)</u>
Profit for the period	5	<u>32,829</u>	<u>34,883</u>
Dividends	6		
– Interim dividend proposed		<u>9,304</u>	<u>9,304</u>
– Final dividend paid		<u>9,304</u>	<u>19,937</u>
Earnings per share (HK cents)	7		
Basic		<u>0.48</u>	<u>0.52</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30.9.2007	As at 31.3.2007
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	237,982	251,080
Prepaid lease payments		3,296	3,340
Deposits for land use right		34,782	31,515
		276,060	285,935
Current assets			
Inventories		100,143	90,961
Trade and other receivables	9	267,313	162,458
Prepaid lease payments		89	89
Investments held for trading		3,746	3,746
Tax recoverable		–	1,363
Short-term bank deposits		92,809	87,663
Bank balances and cash		66,454	26,111
		530,554	372,391
Current liabilities			
Trade and other payables	10	121,710	65,482
Tax liabilities		1,521	216
Bank borrowings	11	6,469	3,873
		129,700	69,571

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		<u>As at</u> 30.9.2007	<u>As at</u> 31.3.2007
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
Net current assets		<u>400,854</u>	<u>302,820</u>
Total assets less current liabilities		676,914	588,755
Non-current liability			
Deferred taxation	12	<u>15,554</u>	<u>17,416</u>
Net assets		<u>661,360</u>	<u>571,339</u>
CAPITAL AND RESERVES			
Share capital	13	39,868	33,228
Reserves		<u>621,492</u>	<u>538,111</u>
Total equity		<u>661,360</u>	<u>571,339</u>

The condensed financial statements on pages 2 to 16 were approved and authorised for issue by the Board of Directors on 20 December 2007 and are signed on its behalf by:

DR. SUEK CHAI KIT, CHRISTOPHER
CHAIRMAN

SUEK CHAI HONG
DIRECTOR

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

	Share capital	Share premium	Capital redemption reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	<u>33,228</u>	<u>73,718</u>	<u>63</u>	<u>5,156</u>	<u>441,876</u>	<u>554,041</u>
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	4,274	–	4,274
Profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>34,883</u>	<u>34,883</u>
Total recognised income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,274</u>	<u>34,883</u>	<u>39,157</u>
Dividends paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(19,937)</u>	<u>(19,937)</u>
At 30 September 2006	<u><u>33,228</u></u>	<u><u>73,718</u></u>	<u><u>63</u></u>	<u><u>9,430</u></u>	<u><u>456,822</u></u>	<u><u>573,261</u></u>
At 1 April 2007	<u>33,228</u>	<u>73,718</u>	<u>63</u>	<u>17,200</u>	<u>447,129</u>	<u>571,338</u>
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	8,746	–	8,746
Profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>32,829</u>	<u>32,829</u>
Total recognised income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,746</u>	<u>32,829</u>	<u>41,575</u>
Dividends paid	–	–	–	–	(9,304)	(9,304)
Issue of new shares	6,640	53,120	–	–	–	59,760
Transaction costs attributable to the issue of new shares	<u>–</u>	<u>(2,009)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,009)</u>
At 30 September 2007	<u><u>39,868</u></u>	<u><u>124,829</u></u>	<u><u>63</u></u>	<u><u>25,946</u></u>	<u><u>470,654</u></u>	<u><u>661,360</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	30.9.2006
	30.9.2007	30.9.2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(4,301)	24,561
Net cash used in investing activities:		
Purchases of property, plant and equipment	(3,944)	(24,703)
Other investing cash flows	2,834	(804)
	(1,110)	(25,507)
Net cash from (used in) financing activities:		
Proceeds on issue of new shares	59,760	–
Share issue expenses	(2,009)	–
Dividends paid	(9,304)	(19,937)
New bank import loans raised	12,583	22,742
Repayment of bank import loans	(9,987)	(20,125)
Other financing cash flows	(143)	2
	50,900	(17,318)
Net increase (decrease) in cash and cash equivalents	45,489	(18,264)
Cash and cash equivalents at brought forward	113,774	87,763
Cash and cash equivalents at carried forward, represented by	159,263	69,499
Short-term bank deposits	92,809	49,196
Bank balances and cash	66,454	20,303
	159,263	69,499

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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 (the Listing Rules) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2007 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial year beginning 1 April 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC)-INT 12	Service concession arrangements ²
HK(IFRIC)-INT 13	Customer loyalty programmes ³
HK(IFRIC)-INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ²

¹ Effective for accounting periods beginning on or after 1 January 2009

² Effective for accounting periods beginning on or after 1 January 2008

³ Effective for accounting periods beginning on or after 1 July 2008

3. REVENUE

Revenue represents the net amounts received and receivable for goods sold by the Group during the period.

Geographical segments

The location of customers is the basis on which the Group reports its primary segment information.

The following is an analysis of the Group's revenue and results for the six months ended 30 September 2007 and 2006 by location of customers.

Consolidated income statement for the six months ended 30 September 2007

	Hong Kong	Other regions in The People's Republic of China	United States of America	Europe	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>269,479</u>	<u>51,580</u>	<u>37,770</u>	<u>29,223</u>	<u>21,916</u>	<u>409,968</u>
Segment result	<u>44,441</u>	<u>8,506</u>	<u>6,229</u>	<u>4,819</u>	<u>3,615</u>	67,610
Unallocated corporate expenses						(35,394)
Interest income						3,564
Interest expense						<u>(143)</u>
Profit before taxation						35,637
Taxation						<u>(2,808)</u>
Profit for the period						<u>32,829</u>

3. REVENUE (Continued)

Consolidated income statement for the six months ended 30 September 2006

	Hong Kong	PRC	United States of America	Europe	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>232,521</u>	<u>45,838</u>	<u>38,024</u>	<u>16,456</u>	<u>49,145</u>	<u>381,984</u>
Segment result	<u>42,124</u>	<u>8,304</u>	<u>6,889</u>	<u>2,981</u>	<u>8,903</u>	69,201
Unallocated corporate expenses						(32,371)
Interest income						1,255
Interest expense						<u>(198)</u>
Profit before taxation						37,887
Taxation						<u>(3,004)</u>
Profit for the period						<u>34,883</u>

The profit for the six months ended 30 September accounts for a substantial portion of the total annual profit because the period from June to September is the high season for the industry. In view of the seasonal factor, the directors of the Company considered such profit pattern as normal and healthy.

4. TAXATION

	Six months ended	
	30.9.2007	30.9.2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax for the period:		
Hong Kong	4,375	2,780
Other jurisdictions	295	275
	4,670	3,055
Deferred taxation (note 12):		
Current period	(1,862)	(51)
	2,808	3,004

4. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both periods.

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

5. PROFIT FOR THE PERIOD

	Six months ended	
	<u>30.9.2007</u>	<u>30.9.2006</u>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	18,869	19,021
Prepaid lease payments charged to consolidated income statement	44	45
Write-down of inventories (Note)	<u>1,185</u>	<u>1,700</u>

Note: Write-down of inventories represented the write-down of printing materials which became obsolete during the period.

6. DIVIDENDS

	Six months ended	
	<u>30.9.2007</u>	<u>30.9.2006</u>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend proposed	<u>9,304</u>	<u>9,304</u>

Subsequent to the balance sheet date, the directors determined that an interim dividend of HK0.091 cents (1.4.2006 to 30.9.2006: HK2.8 cents) per share be paid to the shareholders of the Company whose names appear on the Register of Members on 10 January 2008.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	<u>30.9.2007</u>	<u>30.9.2006</u>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	<u>32,829</u>	<u>34,883</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>6,834,223,196</u>	<u>6,645,545,600</u>

Pursuant to the special general meeting held on 23 October 2007, each of the then issued and unissued shares of HK\$0.10 each in the share capital of the Company is subdivided into twenty shares of HK\$0.005 each in the share capital of the Company with effect from 24 October 2007. Accordingly, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the six months ended 30 September 2007 and 30 September 2006.

No dilutive potential shares were outstanding during the six months ended 30 September 2007 and 30 September 2006. Accordingly, no diluted earnings per share are presented.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3,944,000 (1.4.2006 to 30.9.2006: HK\$24,703,000) on additions to manufacturing plant in the PRC to expand its manufacturing capacity.

9. TRADE AND OTHER RECEIVABLES

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 have a good business relationship and which are in sound financial condition.

An aged analysis of the trade and other receivables is as follows:

	30.9.2007	31.3.2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	82,945	60,957
31 – 60 days	77,691	24,525
61 – 90 days	51,473	30,453
over 90 days	45,819	41,268
	257,928	157,203
Deposits, prepayments and other debtors	9,385	5,255
	267,313	162,458

As at 30 September 2007, trade and other receivables of the Group include an amount due from a related company of HK\$116,474 (31.3.2007: HK\$113,665) which is unsecured, interest free and is repayable on demand. Dr. Suek Chai Kit, Christopher, director of the Company, is one of the ultimate beneficial owners and directors of the related company. Mr. Suek Chai Hong, a director of the Company, is one of the directors of the related company.

10. TRADE AND OTHER PAYABLES

An aged analysis of the trade and other payables is as follows:

	30.9.2007	31.3.2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	90,485	40,141
31 – 60 days	7,440	5,087
61 – 90 days	2,453	2,035
over 90 days	2,098	893
	102,476	48,156
Bills payable, accrued expenses and other payables	19,234	17,326
	121,710	65,482

The age of the bills payable is ranged from 30 to 60 days.

11. BANK BORROWINGS

The bank borrowings are unsecured bank import loans denominated in United States dollars. They carry interest at market rate of 6.5% to 7% and are repayable within one year.

During the period, the Group has raised and repaid bank import loans of approximately HK\$12,583,000 and HK\$9,987,000 respectively.

12. DEFERRED TAXATION

The following are the major deferred tax liability and asset recognised and movements thereon during the current and prior periods:

	Accelerated tax depreciation	Tax losses	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
At 1 April 2006	16,458	(764)	15,694
Credit to consolidated income statement for the period	<u>(40)</u>	<u>(11)</u>	<u>(51)</u>
At 30 September 2006	16,418	(775)	15,643
Charge to consolidated income statement for the period	<u>1,682</u>	<u>91</u>	<u>1,773</u>
At 31 March 2007	18,100	(684)	17,416
(Credit) charge to consolidated income statement for the period	<u>(1,918)</u>	<u>56</u>	<u>(1,862)</u>
At 30 September 2007	<u><u>16,182</u></u>	<u><u>(628)</u></u>	<u><u>15,554</u></u>

At 30 September 2007, the Group has estimated unused tax losses of approximately HK\$14,104,000 (31.3.2007: HK\$14,156,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$3,588,000 (31.3.2007: HK\$3,909,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$10,516,000 (31.3.2007: HK\$10,247,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

13. SHARE CAPITAL

	<u>Number of shares</u>	<u>Share capital</u> HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2007	500,000,000	50,000
Increase during the period	<u>4,500,000,000</u>	<u>450,000</u>
At 30 September 2007	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2007	332,277,280	33,228
Issue of shares under a Top-Up Placing Agreement	<u>66,400,000</u>	<u>6,640</u>
At 30 September 2007	<u>398,677,280</u>	<u>39,868</u>

Pursuant to the special general meeting held on 24 September 2007, it was resolved that the authorised ordinary share capital of the Company be increased from HK\$50,000,000, divided into 500,000,000 shares of par value of HK\$0.10 each, to HK\$500,000,000, divided into 5,000,000,000 shares of par value of HK\$0.10 each, by the increase of HK\$450,000,000, divided into 4,500,000,000 new shares of par value of HK\$0.10 each.

On 24 August 2007, CNA Company Limited (“CNA”), a substantial shareholder of the Company, a placing agent and the Company entered into a placing agreement (“Top-Up Placing Agreement”). Pursuant to the Top-Up Placing Agreement, CNA agreed to place, through the placing agent, an aggregate of 66,400,000 existing shares, on a fully underwritten basis, to independent third parties at a placing price of HK\$0.9 per placing share. Besides, CNA conditionally agreed to subscribe for an aggregate of 66,400,000 new ordinary shares of HK\$0.10 each of the Company at HK\$0.9 per share.

14. CAPITAL COMMITMENTS

	<u>30.9.2007</u> (Unaudited) HK\$'000	<u>31.3.2007</u> (Audited) HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	<u>3,152</u>	<u>360</u>

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 by a plaintiff for copyright infringement of a printing technology claimed to be owned by the plaintiff. On 21 September 2006, the court has made a judgment in favor of the plaintiff and accordingly, the subsidiary of the Company is liable for an indemnity of approximately HK\$630,000. The subsidiary of the Company has filed an appeal to the court. 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 as at 30 September 2007.

16. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 September 2007, the Group sold goods of approximately HK\$97,000 (1.4.2006 to 30.9.2006: HK\$50,000) to a related company. Dr. Suek Chai Kit, Christopher, director of the Company, is one of the shareholders of the related company. Mr. Suek Chai Hong, a director of the Company, is one of the directors of the related company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<u>30.9.2007</u> (Unaudited) HK\$'000	<u>30.9.2006</u> (Unaudited) HK\$'000
Short-term benefits	3,274	2,780
Post-employment benefits	<u>137</u>	<u>130</u>
	<u>3,411</u>	<u>2,910</u>

17. EVENTS AFTER THE BALANCE SHEET DATE

The following significant events have taken place subsequent to the balance sheet date:

- (a) Pursuant to the special general meeting held on 24 September 2007, it was resolved that
 - (i) the placing of 111,000,000 new shares of the Company at HK\$0.90 each be approved; and
 - (ii) the Company would enter into a placing agreement with a placing agent. The placing agent has conditionally agreed to place, on a best effort basis, convertible notes up to an aggregate principal amount of HK\$140,000,000 at an initial conversion price of HK\$1.15.

The above two events were subsequently completed on 23 November 2007 and 9 November 2007 respectively.

- (b) Pursuant to the special general meeting held on 23 October 2007, it was resolved that each of the existing issued and unissued shares of HK\$0.10 each in the share capital of the Company be subdivided into twenty shares of HK\$0.005 each in the share capital of the Company.

INTERIM DIVIDEND

The board of directors of the Company (the “Board”) has recommended an interim dividend of HK0.091 cents per share for the six months ended 30 September 2007 payable on or before 25 January 2008 to shareholders whose names appear on the Register of Members on 10 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 11 January 2008 to Thursday, 17 January 2008 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 branch share registrars in Hong Kong, Tricor Secretaries Limited of 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 10 January 2008.

REVIEW OF FINANCIAL RESULTS

The Group’s consolidated revenue for the six months ended 30 September 2007 amounted to HK\$410 million (1.4.2006 to 30.9.2006: HK\$382 million), representing a moderate sales growth of 7.3% as compared to the corresponding period in last year. The gross profit for the period under review has dropped to HK\$82 million, being 20.1% of revenue, from HK\$84 million for the corresponding period in last year. The gross profit percentage has reduced by 2% from 22.1% for the same period in last year. The distribution costs were decreased by 9.7% to HK\$15 million (1.4.2006 to 30.9.2006: HK\$16 million). The administrative expenses reached HK\$35 million, rising by about 9.3% comparing with the corresponding period in last year. The net profit has declined by 5.9% from HK\$35 million to HK\$33 million. The net profit margin accounted for 8.0% of the revenue, decreasing from 9.1% of the revenue for the same period last year.

BUSINESS REVIEW AND PROSPECTS

Despite of the improved global economy and persistent growth in revenue, the Group has experienced an extremely difficult period. Numerous critical threats from the intensive competition in printing industry have imposed immense pressure on the Group's performance. The enduring high crude oil prices, rising material prices, sharply increasing minimum wages of China labour and great appreciation of RMB vitally cause our decrease in gross profit margin and net profit margin to a large extent. The competition in the printing industry will continue to intensify. The Group is thus facing significant challenges and threats ahead. As such, the Group will make its best efforts to achieve continuous growth in performance through effective cost control and enhancement in productivity.

During the period, the Group spent relatively small amount in capital expenditure totalling HK\$4 million (1.4.2006 to 30.9.2006: HK\$25 million), which principally composed of production facilities, plant and machinery and computer equipment. In the coming year, the Group will further enhance its production capabilities, and promote the efficiency of our existing facilities to maximize the profitability and the shareholders' return.

The project of setting up a new plant in Qingyuan of Guangdong province has been implemented. The investment which involves substantial fund is targeted to further expand the production capabilities of the Group. In addition to the low-cost benefits in Qingyuan, synergies will be achieved through economies of scale, resources and technology sharing among our factories in Shenzhen. After the construction is completed, the Group is confident to capture any emerging opportunities and enjoy impressive returns.

The Group has entered into preliminary discussions with independent third parties in relation to a project on water management in China. No binding agreement has yet been entered into by the Group. In addition, the Group will continue to formulate strategies to face up with the ever-changing business environment and place itself in a good position to grasp any new development opportunities ahead.

The Group will continue to develop promising business strategies and successfully positioning itself in the market segments. To cope with its strategies, the Group is committed to putting great efforts in exploring new markets, maintaining close relationship with our existing customers, and sourcing new materials to produce quality goods at competitive prices. The target of the Group is to widen customer base, develop higher margin products and sustain the growth in revenue.

LIQUIDITY AND FINANCIAL POSITION

As at 30 September 2007, the Group had approximately HK\$66 million cash in hand. The current ratio stood at 4.1, indicating an ample cash flow and stable liquidity position over the period under review. The Group's bank balances and cash and short-term bank deposits were approaching HK\$153 million (31 March 2007: HK\$110 million), after deducting bank borrowings of HK\$6 million (31 March 2007: HK\$4 million). The gearing ratio was 1.0% (31 March 2007: 0.7%), which calculation is based on the Group's total borrowings of HK\$6 million (31 March 2007: HK\$4 million) and the shareholders' fund of HK\$661 million (31 March 2007: HK\$571 million).

At 30 September 2007, the Group had surplus working capital of HK\$400 million (31 March 2007: HK\$303 million), which primarily comprised inventories of HK\$100 million, trade and other receivables of HK\$267 million, investments held for trading of HK\$4 million, and bank balances, cash and short-term deposit of HK\$159 million, and less trade and other payables of HK\$122 million, tax liabilities of HK\$2 million and bank borrowings of HK\$6 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 period under review. During the period, the Group did not use any financial instruments for hedging purpose and did not have any hedging instruments outstanding as at 30 September 2007.

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 maintaining a strong and healthy liquidity to ensure that the Group is well positioned to take advantage of growth opportunities for the business. For the large project in Qingyuan, the Group will consider fund arrangement to adequately finance such material investment.

On 24 August 2007, the Group arranged the top-up placing, new share placing and placing of convertible notes (“CN Placing”). The top-up placing involved an aggregate of 66,400,000 (after sub-division: 1,328,000,000) top-up subscription shares at the top-up subscription price of HK\$0.9 per top-up subscription share. The net proceeds of approximately HK\$58 million from the top-up placing are intended for general working capital of the Group. The new share placing involved a maximum of 2,220,000,000 (before sub-division: 111,000,000) new placing shares on a best efforts basis. The maximum net proceeds of approximately HK\$97.1 million from the new share placing is intended for potential new investment as and when appropriate although no specific projects have been identified. The CN Placing involved up to an aggregate principal amount of HK\$140,000,000 convertible notes which is exercisable and convertible into 2,434,782,600 (before sub-division: 121,739,130) shares at a conversion price of HK\$0.0575 (before sub-division: HK\$1.15) per conversion share. The maximum net proceeds of approximately HK\$136.3 million from the CN placing is intended to be used for expansion of production facilities and potential new investment as and when appropriate although no specific projects have been identified. Notwithstanding that new share placing and the CN placing resulted in the dilution of the existing shareholding interest of the shareholders, the directors consider that the new share placing and the CN placing represent an opportunity to raise capital for the Company, to expand the production facilities of the Group and to invest in the potential new investment as and when appropriate although no specific projects have been identified.

The Group's interim dividend payout ratio as a percentage of its earning is about 28% (1.4.2006 to 30.9.2006: 27%). The Board will closely monitor the dividend policy to ensure that our investors are well rewarded for their continuous support.

EMPLOYEE

As at 30 September 2007, 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. Apart from salary payment, other staff benefits include contribution to Retirement Benefit Scheme and medical insurance for eligible employees. In-house and external training programmes are also provided as and when required.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2007, the directors and their associates have the following interests in shares of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures 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 Directors of Listed Issuers ("Model Code"):

Shares in the Company

Name of director	Personal interests	Corporate interests	Number of shares held Other interests	Total interests	Percentage of issued share capital
Dr. Suek Chai Kit, Christopher	13,700,000	–	185,660,000 (note 1)	199,360,000	50.00
Ms. Ng Wai Chi	10,170,000	–	–	10,170,000	2.55
Dr. Ng Wai Kwan	40,000	–	–	40,000	0.01
Mr. Suek Che Hin	–	19,120,000 (note 2)	–	19,120,000	4.80
Mr. Suek Ka Lun, Ernie	–	–	185,660,000 (note 1)	185,660,000	46.57

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 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 at 30 September 2007.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2007, the following shareholders have interests, directly or indirectly, in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under provision of Divisions 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:

Name of shareholder	Number of shares held	Percentage of issued share capital
CNA Company Limited	185,660,000	46.57
Mr. Hill David Henry Christopher	204,780,000	51.36
Ms. Hill Rebecca Ann	204,780,000	51.36
Newcorp Holdings Ltd.	204,780,000	51.36
Mr. Roberts David William	204,780,000	51.36
Newcorp Ltd.	204,780,000	51.36
Trustcorp Ltd.	204,780,000	51.36

Save as disclosed above and the interests disclosed above in respect of certain directors, who are also substantial shareholders of the Company, the directors were not aware of any other person who has an interest, directly or indirectly, or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 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.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Details of the discloseable connected transaction and directors' interests 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 2007 has not been audited, but has been reviewed by the Audit Committee of the Company and the Group's auditor, Messrs. Deloitte Touche Tohmatsu.

The Audit Committee comprises Mr. Wong Sun Fat, Mr. Suek Che Hin and Mr. Au Yan, Alfred.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

Good corporate governance has always been recognized as vital to the Group's success and to sustain development of the Group. We commit ourselves to a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

The Company has complied with most of the Code Provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Listing Rules during the six months ended 30 September 2007, save for certain deviations, details of which were given in the Company’s 2007 Annual Report.

During the six months ended 30 September 2007, Dr. Suet Chai Kit, Christopher was re-designated as a non-executive director of the Company from an executive director with effect from 29 November 2007. Dr. Suet remains as Chairman of the board of directors of the Company. As Dr. Suet Chai Kit, Christopher is no longer an executive director, the role of chief executive officer is taken up by Mr. Suet Ka Lun, Ernie. The positions of the Chairman and chief executive officer are now held by separate persons which is a measure taken by the Company to improve its corporate governance to conform with the CG Code Provisions.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Having made specific enquiry of all directors, they confirmed that, in respect of the six months ended 30 September 2007, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

On behalf of the Board
CHUNG TAI PRINTING HOLDINGS LIMITED
Dr. Suet Chai Kit, Christopher
Chairman

20 December 2007