



CHUNG TAI PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

**INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

Deloitte.

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 17 which comprises the condensed consolidated balance sheet of Chung Tai Printing Holdings Limited as at 30 September 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six months then ended 30 September 2008 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

22 December 2008

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

	Notes	Six months ended	
		30.9.2008	30.9.2007
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	441,298	409,968
Cost of sales		(360,270)	(327,527)
Gross profit		81,028	82,441
Interest income		4,264	3,564
Other income		470	45
Distribution costs		(18,047)	(14,876)
Allowance for doubtful debts		(8,017)	–
Administrative expenses		(33,245)	(35,360)
Exchange losses		(14,690)	(34)
Share of result of an associate		(139)	–
Finance costs		(5,730)	(143)
Profit before taxation		5,894	35,637
Taxation	4	(2,368)	(2,808)
Profit for the period	5	<u>3,526</u>	<u>32,829</u>
Dividends	6		
– Interim dividend proposed		<u>3,092</u>	<u>9,304</u>
– Final dividend paid		<u>9,304</u>	<u>9,304</u>
Earnings per share (HK cent)	7		
Basic		<u>0.03</u>	<u>0.48</u>
Diluted		<u>0.03</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2008

		<u>30.9.2008</u>	31.3.2008
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	225,283	235,385
Prepaid lease payments		3,207	3,252
Deposits for land use right		33,794	31,515
Investment in an associate	9	18,490	–
		<u>280,774</u>	<u>270,152</u>
Current assets			
Inventories		102,225	111,528
Trade and other receivables	10	269,956	220,181
Prepaid lease payments		89	89
Short-term bank deposits		341,720	379,461
Bank balances and cash		36,234	34,292
		<u>750,224</u>	<u>745,551</u>
Current liabilities			
Trade and other payables	11	95,817	91,161
Tax liabilities		4,357	947
Bank borrowings	12	8,500	6,045
		<u>108,674</u>	<u>98,153</u>
Net current assets		<u>641,550</u>	<u>647,398</u>
Total assets less current liabilities		<u>922,324</u>	<u>917,550</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
AT 30 SEPTEMBER 2008

		<u>30.9.2008</u>	<u>31.3.2008</u>
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
Non-current liability			
Convertible notes		128,590	122,990
Deferred taxation	13	14,092	15,434
		<u>142,682</u>	<u>138,424</u>
Net assets		<u>779,642</u>	<u>779,126</u>
CAPITAL AND RESERVES			
Share capital	14	50,968	50,968
Reserves		728,674	728,158
Total equity		<u>779,642</u>	<u>779,126</u>

The condensed financial statements on pages 2 to 17 were approved and authorised for issue by the Board of Directors on 22 December 2008 and are signed on its behalf by:

SUEK KA LUN
CHIEF EXECUTIVE OFFICER & DIRECTOR

SUEK CHAI HONG
DIRECTOR

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

	Share capital	Share premium	Convertible notes equity reserve	Capital redemption reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	33,228	73,718	–	63	17,200	447,129	571,338
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	8,746	–	8,746
Profit for the period	–	–	–	–	–	32,829	32,829
Total recognised income for the period	–	–	–	–	8,746	32,829	41,575
Dividend paid	–	–	–	–	–	(9,304)	(9,304)
Issue of new shares	6,640	53,120	–	–	–	–	59,760
Transaction costs attributable to the issue of new shares	–	(2,009)	–	–	–	–	(2,009)
At 30 September 2007	<u>39,868</u>	<u>124,829</u>	<u>–</u>	<u>63</u>	<u>25,946</u>	<u>470,654</u>	<u>661,360</u>
At 1 April 2008	50,968	210,950	17,110	63	32,494	467,541	779,126
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	6,294	–	6,294
Profit for the period	–	–	–	–	–	3,526	3,526
Total recognised income for the period	–	–	–	–	6,294	3,526	9,820
Dividend paid	–	–	–	–	–	(9,304)	(9,304)
At 30 September 2008	<u>50,968</u>	<u>210,950</u>	<u>17,110</u>	<u>63</u>	<u>38,788</u>	<u>461,763</u>	<u>779,642</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

	Six months ended	
	30.9.2008	30.9.2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	<u>(7,521)</u>	<u>(5,623)</u>
Net cash used in investing activities:		
Acquisition of an associate	(18,629)	–
Purchases of property, plant and equipment	(6,124)	(3,944)
Other investing cash flows	<u>1,985</u>	<u>2,834</u>
	<u>(22,768)</u>	<u>(1,110)</u>
Net cash (used in) from financing activities:		
Proceeds on issue of new shares	–	59,760
Share issue expenses	–	(2,009)
Dividends paid	(9,304)	(9,304)
New bank import loans raised	19,135	12,583
Repayment of bank import loans	(16,680)	(9,987)
Other financing cash flows	<u>(130)</u>	<u>(143)</u>
	<u>(6,979)</u>	<u>50,900</u>
Net (decrease) increase in cash and cash equivalents	(37,268)	44,167
Cash and cash equivalents brought forward	413,753	113,774
Effect of foreign exchange rate changes	<u>1,469</u>	<u>1,322</u>
Cash and cash equivalents carried forward, represented by	<u><u>377,954</u></u>	<u><u>159,263</u></u>
Short-term bank deposits	341,720	92,809
Bank balances and cash	<u>36,234</u>	<u>66,454</u>
	<u><u>377,954</u></u>	<u><u>159,263</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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 2008 except as described below.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest on a joint venture.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the associate, less any identified impairment loss. When the Group’s share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following amendments and new interpretations (“new HKFRSs”) issued by the HKICPA.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs has no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior or current period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments 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.

HKFRSs (Amendments)	Improvements to HKFRSs ⁵
HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKAS 39 (Amendment)	Eligible hedged items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of investment in a subsidiary, jointly controlled entities or associates ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 13	Customer loyalty programmes ³
HK(IFRIC) – INT 15	Agreements for the construction of real estate ¹
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁴
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual periods beginning on or after 1 October 2008.

⁵ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

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 2008 and 2007 by location of customers.

Consolidated income statement for the six months ended 30 September 2008

	Hong Kong	Other regions in The People's Republic of China ("PRC")	United States of America	Europe	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>271,590</u>	<u>74,439</u>	<u>35,950</u>	<u>40,281</u>	<u>19,038</u>	<u>441,298</u>
Segment result	<u>34,039</u>	<u>7,697</u>	<u>5,792</u>	<u>5,169</u>	<u>2,737</u>	55,434
Unallocated corporate expenses						(33,245)
Exchange losses						(14,690)
Interest income						4,264
Share of result of an associate						(139)
Finance costs						<u>(5,730)</u>
Profit before taxation						5,894
Taxation						<u>(2,368)</u>
Profit for the period						<u>3,526</u>

3. REVENUE (Continued)

Consolidated income statement for the six months ended 30 September 2007

	Hong Kong	PRC	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						(35,360)
Exchange losses						(34)
Interest income						3,564
Finance cost						(143)
Profit before taxation						35,637
Taxation						(2,808)
Profit for the period						<u>32,829</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	
	30.9.2008	30.9.2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax for the period:		
Hong Kong	3,323	4,375
Other jurisdictions	387	295
	3,710	4,670
Deferred taxation (note 13):		
Current period	(460)	(1,862)
Attributable to change in tax rate	(882)	–
	(1,342)	(1,862)
	2,368	2,808

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

In June 2008, the Hong Kong profits tax rate was decreased from 17.5% to 16.5% with effect from 2008/09 year of assessment. The effect of this decrease has been reflected in the calculation of current and deferred tax balance at 30 September 2008.

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

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2008	30.9.2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	17,655	18,869
Prepaid lease payments charged to consolidated income statement	45	44
Write-down of inventories (Note)	3,000	1,185

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

6. DIVIDENDS

	Six months ended	
	30.9.2008	30.9.2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend proposed	3,092	9,304

Subsequent to the balance sheet date, the directors determined that an interim dividend of HK0.03 cent (1.4.2007 to 30.9.2007: HK0.091 cent) per share be paid to the shareholders of the Company whose names appear on the Register of Members on 16 January 2009.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2008	30.9.2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the period)	<u>3,526</u>	<u>32,829</u>
	<u>30.9.2008</u>	<u>30.9.2007</u>
Number of shares		
Weighted average number of shares for the purpose of basic and diluted earnings per share	<u>10,193,545,600</u>	<u>6,834,223,196</u>

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$6,124,000 (1.4.2007 to 30.9.2007: HK\$3,944,000) on additions to manufacturing plant in the PRC to expand its manufacturing capacity.

9. INVESTMENT IN AN ASSOCIATE

During the period, the Group made an investment of approximately HK\$18,629,000 for 30% interest in an associate in the PRC which mainly holds a piece of leasehold land in the PRC.

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

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

	30.9.2008	31.3.2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	81,723	73,272
31 – 60 days	67,391	25,240
61 – 90 days	46,932	32,416
over 90 days	19,097	38,628
	215,143	169,556
Deposits, prepayments and other debtors	54,813	50,625
	269,956	220,181

As at 30 September 2008, trade and other receivables of the Group include an amount due from a related company of HK\$132,580 (31.3.2008: HK\$198,845) 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.

11. TRADE AND OTHER PAYABLES

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

	30.9.2008	31.3.2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	36,745	58,798
31 – 60 days	25,359	9,817
61 – 90 days	5,229	916
over 90 days	5,085	1,480
	72,418	71,011
Accrued expenses and other payables	23,399	20,150
	95,817	91,161

12. BANK BORROWINGS

The bank borrowings are unsecured bank import loans denominated in United States dollars. They carry interest at market rate of 4.2% to 4.8% per annum and are repayable within one year.

During the period, the Group has raised and repaid bank import loans of approximately HK\$19,135,000 and HK\$16,680,000 (1.4.2007 to 30.9.2007: HK\$12,583,000 and HK\$9,987,000) respectively.

13. 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 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	16,182	(628)	15,554
(Credit) charge to consolidated income statement for the period	<u>(212)</u>	<u>92</u>	<u>(120)</u>
At 31 March 2008	15,970	(536)	15,434
(Credit) charge to consolidated income statement for the period	(591)	131	(460)
Effect of change in tax rate	(882)	-	(882)
At 30 September 2008	<u>14,497</u>	<u>(405)</u>	<u>14,092</u>

At 30 September 2008, the Group has estimated unused tax losses of approximately HK\$28,781,000 (31.3.2008: HK\$14,283,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$2,454,000 (31.3.2008: HK\$3,066,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$26,327,000 (31.3.2008: HK\$11,217,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

14. SHARE CAPITAL

	<u>Number of shares</u>	<u>Share capital</u> HK\$'000
Ordinary shares of HK\$0.005 each		
Authorised:		
At 1 April 2008 and 30 September 2008	<u>100,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2008 and 30 September 2008	<u>10,193,545,600</u>	<u>50,968</u>

15. CAPITAL COMMITMENTS

	<u>30.9.2008</u> (Unaudited) HK\$'000	<u>31.3.2008</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>15,683</u>	<u>8,219</u>

16. LITIGATION

A subsidiary of the Company together with two former employees are defendants in a lawsuit in the PRC relating to a claim of approximately RMB2,630,000 (equivalent to 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 RMB640,000 (equivalent to HK\$729,000). 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 to the Group's financial position as at 30 September 2008.

17. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 September 2008, the Group sold goods of approximately HK\$209,000 (1.4.2007 to 30.9.2007: HK\$97,000) to a related company. Dr. Suek Chai Kit, Christopher, director of the Company, is one of the shareholders 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:

	30.9.2008	30.9.2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	3,972	3,274
Post-employment benefits	118	137
	4,090	3,411

18. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the terms and conditions of the convertible notes, the Group exercised its early redemption option and made a cash offer to the notes holders for the purchase and cancellation of all the convertible notes at a consideration of HK\$132,720,000. All the holders of the convertible notes accepted the offer and the purchase and cancellation of all the convertible notes was completed in December 2008. The directors of the Company are now in the process of assessing the financial impact on the results and financial position of the Group due to the early redemption of the convertible notes.

INTERIM DIVIDEND

The board of directors of the Company (the “Board”) has declared an interim dividend of HK0.03 cent per share for the six months ended 30 September 2008 payable on or before 6 February 2009 to shareholders whose names appear on the Register of Members on 16 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 19 January 2009 to Friday, 23 January 2009, 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 registrar 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 Friday, 16 January 2009.

REVIEW OF FINANCIAL RESULTS

Undergoing a challenging first six-month period of the financial year 2008/09, although the Group managed to maintain sales growth of 7.6% to HK\$441.3 million (1.4.2007 to 30.9.2007: HK\$410.0 million), the unfavorable macroeconomic factors have set back its results for the period.

The gross profit for the period under review has dropped a bit to HK\$81.0 million, being 18.4% of revenue, from HK\$82.4 million for the corresponding period in last year. The gross profit percentage has reduced by 1.7% from 20.1% for the same period in last year.

The distribution costs were increased by approximately 21.3% to HK\$18.0 million (1.4.2007 to 30.9.2007: HK\$14.9 million) due to the increase of transportation and petroleum costs. The administrative expenses dropped by 6.0% to HK\$33.2 million from HK\$35.4 million for the corresponding period in last year. The net profit has declined by 89.3% from HK\$32.8 million to HK\$3.5 million. The net profit margin accounted for 0.8% (1.4.2007 to 30.9.2007: 8.0%) of the revenue for the period under review.

The change in financial performance was mainly due to the following reasons:–

- An amount of HK\$3.0 million, being the value of printing materials that became obsolete during the period was written-down. This partly accounted for the drop in gross profit for the period.
- Bad debts written off amounting to HK\$2.1 million due to winding up of customers.
- Provision for doubtful debts of HK\$5.9 million was made for certain customers of which recoverability of amounts owed by them is remote resulting from the meltdown of the financial market and the subprime mortgage crisis in the United States.
- Finance cost of HK\$5.6 million attributed to the effective interest expense payable on convertible notes issued in November 2007.
- Exchange loss amounting to HK\$11.9 million brought by the fall in value of the Australian dollars (“AUD”) time deposit held by the Company. Such loss was unexpected due to the volatility of the currency market as a result of the global economic downturn.

The Board wishes to emphasize that the intention of holding the time deposit in AUD was to earn higher yield on funds held and the Company has not engaged in any leveraged foreign exchange contracts. Despite of the potential loss, the Group maintains sufficient working capital to meet its operating needs and sufficient funds for future investment opportunities.

BUSINESS REVIEW AND PROSPECTS

During the first half of the financial year 2008/09, the Group continued to face challenges of surging material costs, appreciation in value of Renminbi against Hong Kong dollars, and increases in labour costs and other operating costs. Besides, the economic conditions have recently been deteriorating significantly in many countries and regions, including our and our customers’ major markets in the United States and Europe, and may remain depressed for the foreseeable future. If unfavorable global economic conditions continue to threaten consumers’ purchasing sentiment, our business and results of operations would be adversely affected.

In order to tackle the prolonged financial crisis which has adversely affected, and is expected to continue to affect, the economy, we have adopted a more prudent business and financial management policy to ensure that we maintain adequate working capital to finance our operations.

Despite these challenges, the Group has continuously strengthened its management team that has committed themselves to rationalising and re-engineering its workflow and processes to reduce costs and increase efficiency.

Moreover, the government of the People's Republic of China (the "PRC") has recently announced an array of policies, including introducing Valued Added Tax refund, loosening lending restrictions and reducing interest rates, in an effort to stabilize the economic position of the manufacturers in the Pearl River Delta region as a whole.

Although these new policies have yet to have a material impact on our operations, if the PRC government continues to introduce policies aiming at stabilizing and maintaining growth in the manufacturing and export sectors, it may help alleviate certain negative impact on our operations in the future.

LIQUIDITY AND FINANCIAL POSITION

As at 30 September 2008, the Group had approximately HK\$36 million cash in hand. The current ratio stood at 6.9, 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\$370 million (31 March 2008: HK\$408 million), after deducting bank borrowings of HK\$9 million (31 March 2008: HK\$6 million). The gearing ratio was 17.6% (31 March 2008: 16.6%), which is calculated on the basis of the Group's total borrowings of HK\$137 million (31 March 2008: HK\$129 million) and the shareholders' fund of HK\$780 million (31 March 2008: HK\$779 million).

At 30 September 2008, the Group had working capital of HK\$641 million (31 March 2008: HK\$647 million), which comprised primarily inventories of HK\$102 million, trade and other receivables of HK\$270 million, bank balances, cash and short-term deposit of HK\$378 million, and less trade and other payables of HK\$96 million, tax liabilities of HK\$4 million and bank borrowings of HK\$9 million.

Having carefully evaluated the working capital requirement and available funds of the Group, the Group exercised its early redemption option in accordance with the terms and conditions of the convertible notes issued in November 2007. At the end of October 2008, the Group made a cash offer to all convertible notes holders for the purchase and cancellation of all the convertible notes at a consideration of HK\$132,720,000. All the holders of the convertible notes accepted the offer and the purchase and cancellation of all the convertible notes was completed in December 2008. The directors of the Company are now in the process of assessing the financial impact of the early redemption of the convertible notes on the results and financial position of the Group.

Save for the AUD time deposit held by the Company, 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 2008.

The Group generally finances its operation with internally generated cash flows and facilities provided by banks in Hong Kong. The Group continues to maintain a high level of operating cash position, 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 opportunities for the business growth.

The Board has resolved to declare an interim dividend of HK0.03 cent per share (1.4.2007 to 30.9.2007: HK0.091 cent) for the six months ended 30 September 2008 payable on or before 6 February 2009 to shareholders whose names appear on the Register of Members of the Company on 16 January 2009. 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 2008, the total number of employees of the Group was approximately 4,800.

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 AND UNDERLYING SHARES

At 30 September 2008, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions of ordinary shares of HK\$0.005 each of the Company

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Dr. Suek Chai Kit, Christopher	Beneficial owner	274,000,000	
	Other interests (note 1)	3,713,200,000	
		<hr/>	
		3,987,200,000	39.11%
Ms. Ng Wai Chi	Beneficial owner	203,400,000	2.00%
Dr. Ng Wai Kwan	Beneficial owner	800,000	0.01%
Mr. Suek Che Hin	Held by controlled corporation (note 2)	382,400,000	3.75%
		<hr/>	
		4,573,800,000	44.87%
		<hr/>	
Mr. Suek Ka Lun, Ernie	Other interests (note 1)	3,713,200,000	36.43%
		<hr/>	

Notes:

1. These shares are 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. Mr. Suek Ka Lun, Ernie is the son of Dr. Suek Chai Kit, Christopher.
2. These shares are beneficially owned by Goodhope Assets Limited, in which Mr. Suek Che Hin has a beneficial interest.

(ii) Long positions of shares in subsidiaries

At 30 September 2008, CNA and Ms. Ng Wai Chi beneficially owned deferred non-voting shares in the following subsidiaries of the Company:

Name of subsidiary	Name of owner	Number and par value of deferred non-voting shares
Chung Tai Management Limited	CNA	2 shares of HK\$1 each
Chung Tai Printing (China) Company Limited	CNA	100 shares of HK\$100 each
Chung Tai Printing Company Limited	CNA	3,000 shares of HK\$100 each
Profit Link Investment Limited	CNA	2 shares of HK\$1 each
The Greatime Offset Printing Company Limited	Ng Wai Chi CNA	500 shares of HK\$100 each 9,500 shares of HK\$100 each

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30 September 2008.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2008, the interests or short positions of the substantial shareholders (other than the interests disclosed above in respect of certain directors who are also substantial shareholders of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance were as follows:

Long positions of ordinary shares of HK\$0.005 each of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Mr. Hill David Henry Christopher	Held by controlled corporations	4,095,600,000	40.18%
Ms. Hill Rebecca Ann	Held by controlled corporations	4,095,600,000	40.18%
Mr. Roberts David William	Held by controlled corporations	4,095,600,000	40.18%
Newcorp Holdings Ltd.	Held by controlled corporations	4,095,600,000	40.18%
Newcorp Ltd.	Held by controlled corporations	4,095,600,000	40.18%
Trustcorp Limited	Trustee	4,095,600,000	40.18%
CNA Company Limited	Beneficial owner	3,713,200,000	36.43%

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 17 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 17 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 end of the current period or at any time during the period under review.

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 2008, they have complied with the required standard set out in the Model Code regarding securities transactions by the directors.

AUDIT COMMITTEE

The audit committee comprises two independent non-executive directors and one non-executive director. The audit committee has reviewed with the management the Group's accounting policies and discussed auditing, internal controls and financial reporting matters, including the review of interim results and financial statements of the Company for the six months ended 30 September 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises that good corporate governance practices are vital to maintain and promote shareholder value and investor confidence and has introduced corporate governance practices appropriate to the conduct and growth of our business. The Company has complied with the Code Provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules save for the following deviations:

The Company has not formalised and adopted written terms on the division of functions reserved to the Board and delegated to the management. However, in practice, the Board takes responsibility for decision making in major matters of the Company while the day-to-day management, administration and operation are delegated to the senior executives.

None of the directors are appointed for a specific term but they are subject to retirement by rotation once every three years pursuant to the Company's By-law.

REVIEW OF INTERIM RESULTS

The interim report of the Group for the six months ended 30 September 2008 has not been audited, but has been reviewed by the Audit Committee of the Company and the Group's auditor, Messrs. Deloitte Touche Tohmatsu.

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

22 December 2008