



Mr. CHAN Sheung Chiu
Chairman

FINANCIAL RESULTS

The directors are pleased to announce that the audited profit attributable to shareholders of the Group for the year ended 31st December, 2004 amounted to HK\$60,611,000 (2003: HK\$52,362,000). Earnings per ordinary share were HK10.9 cents (2003: HK10.5 cents).

DIVIDENDS

The directors propose to declare a final dividend of HK3.3 cents (2003: HK3.0 cents) per ordinary share payable on or before 6th June, 2005 to ordinary shareholders whose names appear on the Company's register of members on 25th May, 2005. An interim dividend of HK1.2 cents (2003: HK1.0 cent) per ordinary share had been paid during the financial year. Therefore, total interim and final dividends per ordinary share amounted to HK4.5 cents (2003: interim and final dividends of HK4.0 cents), representing an increase of 12.5% over last year.

GROUP'S FIVE-YEAR BUSINESS REVIEW

Reverting to the business plan implemented by the current management of the Group since they took over in 2000, the major areas of the business plan to maximize the Group's core competency and profitability include the followings:

1) Profit Maximization

The Group has accomplished a significant growth in business for 5 consecutive years since 2000. Net profit grew by 120% from HK\$27.6 million in 2000 to HK\$60.6 million in 2004.

2) Product and New Market Development

The Group has widened its product mix in both OEM and ODM items for paper bags, stationery items, and has enlarged its product variety in children board books and book plus categories. To strengthen its market presence, the Group has recruited additional sales and marketing personnel in the United States, Canada and the PRC.

3) Working Capital and Cost Control Management

With the prudent strategy in working capital management and cost control, the Group is able to enhance its cost effectiveness, while at the same time overcome such unfavorable factors including the rise in paper prices and freight charges throughout the years.

4) Operational Efficiency, Technological Advancement and Productivity Expansion

In the past 5 years, the Group's total capital expenditures amounted to HK\$213 million, including investment in three CTP systems and seven printing presses, acquired the premise of the paper products production plant in Dongguan, completed factory expansion of the Yuanzhou plant and added the new processing plant in Dongguan to support book printing. The Group is also one of the first printing group in Asia being accredited a complete set of international management system namely ISO 9001 for quality, ISO 14001 for environmental protection and OHSAS 18001 for occupational health and safety.

5) Customer Service and Quality

The Group has set a high standard in its premier printing quality and has always been offering professional training workshops and seminars to management, production and customer service staff so as to provide the total printing solution to customers.



Mr. KWOK Chi Fai
Mr. WONG Chi Sing
Mr. CHEUNG Yiu Ming, William
Mr. HUI Wai Wu, Sam
Mr. KWONG Tin Lap
Ms. LI Mee Sum, Ann
Mr. TANG Chow Ming, Paul
Mr. LAM Wai Man

MANAGEMENT DISCUSSION ON RESULTS

For the year ended 31st December, 2004, the Group continues to achieve a growth of 9% in turnover from HK\$675,237,000 to HK\$736,879,000. It was principally attributable to the growth of our core printing business.

During the year under review, gross profit margin improved to 32% and gross profit increased by 16% to HK\$237,940,000 (2003: HK\$205,380,000). However, the Group incurred an increase in selling expenses by 39% to HK\$26,189,000 (2003: HK\$18,897,000). Furthermore, administrative and operating expenses increased by 11% to HK\$150,271,000 (2003: HK\$135,010,000). Such increases were mainly resulted from higher turnover and the rise in global freight and logistics expenses. Finance costs decreased by 8% to HK\$5,777,000 (2003: HK\$6,257,000) due to the low interest rate prevailing during the year. Combining the above effects, net profit increased by 16% to HK\$60,611,000 (2003: HK\$52,362,000). Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by about 12% to HK\$110,933,000 (2003: HK\$99,336,000).

2004 BUSINESS REVIEW

a) Printing Division

During the year of 2004, the Group's printing business increased by 9% and reached a turnover of HK\$719 million, accounted for 98% of the Group's turnover. The core business of the Group comprised book printing and paper product printing. Total capital expenditure amounted to HK\$40 million in 2004.

(1) Book Printing

Book printing division achieved a remarkable growth in sales by 14% under the proactive sales and marketing strategy. Major clients of book printing included multinational publishers and conglomerates in the United States, Europe, Australia, New Zealand and Japan.

The Group placed strong emphasis on its consistent high quality standard and reputation as it is of paramount importance to uplift its corporate image on the international platform. Year of 2004 was a fruitful year for award accreditation, the Group won various top printing awards including 16 awards in 2004 Premier Print Awards in the United States, 5 superb printing awards in the International



The Group was bestowed many awards in international competitions

Association of Printing House Craftsmen (IAPHC) in the United States, and 5 awards in the Hong Kong Print Award. Of which, we were bestowed 2 Benny awards, being appraised as the highest honor in the global printing industry, in the Trade Book and Special Finishing Technique categories. Besides, the Group had been awarded the championship award in the monotone/duotone category in the Hong Kong Print Award for 3 consecutive years since 2002.



Product highlights of book printing

The Group participated in several international trade fairs namely the Bologna Children's Book Fair, Book Expo of America, Beijing International Book Fair, and Frankfurt Book Fair to promote its corporate awareness and to expand new business.



The Group showed its presence in the Frankfurt Book Fair 2004

i) Yuanzhou plant



One of the new 5-color printing presses in Yuanzhou Plant

The Yuanzhou plant occupied a gross floor area of about 410,000 sq. ft., which is well equipped primarily for book printing business. To cater for the growing demand for book printing business, the Group had installed two new 5-color printing presses and auxiliary binding facilities in the year under review.

Besides, the Group had upgraded its prepress capabilities in order to maintain its pioneer position in the development of technology and market requirements. In order to support the increasing number of workers, the Group is constructing a new staff quarters in Yuanzhou plant, which will be completed in the second quarter of 2005.



Outlook of Yuanzhou Plant

ii) Processing plant in Dongguan

The processing plant in Dongguan occupied a four-storey leased premise with over 250,000 sq. ft. and has been providing strong back-up support to book printing business.



Outlook of processing plant in Dongguan

The operating efficiency of the processing plant has steadily improved with the implementation of a series of measures, including the strengthening of operation and production flow and realignment of operational team. The processing plant is able to provide the Group with an additional printing capacity to cater for the growth in business.

(2) Paper Product Printing

The Dongguan plant occupied a total gross floor area of 410,000 sq. ft. and is fully equipped to produce a diversified range of paper products including packaging products, commercial printing products, premium gifts products, greeting cards, stationery items and paper gift bags. To enhance productivity, the Group had installed an additional 5-color printing press and other auxiliary printing facilities during the year under review.



Outlook of Dongguan Plant

During the year of 2004, paper product division achieved a steady growth in turnover with its effective product-mix strategy to improve its profit margin. In view of the keen competition in paper product business, the Group has adopted prudent pricing strategy to maintain an appropriate symmetry with its sales volume, gross profit and market

share. To cope with the more sophisticated market demand, the Group has been offering value added services by promoting a series of paper product designs and concepts. Customers appraised the services being provided and the Group could widen its scope of services and generate additional source of revenue.



Product highlights of paper product printing



The Group participated in the Frankfurt Paperworld 2004

The Group has implemented proactive strategy in new business exploration and expanding its product range. In 2004, the Group has participated in the Frankfurt Paperworld 2004 and the Total Processing and Packaging Fair in Birmingham.

b) Property Division

During the year under review, the Group entered into an agreement to dispose of its 51% interests in Chengdu Chuang's Centre Development Company Limited which holds the commercial podium and basements of Chengdu Chuang's Centre. Under the agreement, the Group will receive a consideration of RMB100 million (HK\$93.5 million) in cash and the consideration property of the 6th floor of Chengdu Chuang's Centre. Completion of the agreement is expected to be in 2005.

During the year under review, rental income of the property division amounted to about HK\$18 million. The property division will continue to generate stable rental income for the Group.

LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2004, the Group's bank balances and cash amounted to HK\$96 million (2003: HK\$169 million) while bank borrowings and obligations under finance leases amounted to HK\$143 million (2003: HK\$118 million), of which HK\$107 million (2003: HK\$71 million) are due from the second to fifth year. The Group's net bank borrowings amounted to HK\$47 million and its net bank borrowings to equity ratio (being all bank and other borrowings less bank balances and cash as a ratio to shareholders' funds) is 9%. As mentioned hereinabove, upon completion of the disposal of 51% interests in Chengdu Chuang's Centre Development Company Limited in 2005, the Group will receive an additional RMB100 million (HK\$93.5 million) in cash for working capital purpose. Should this additional cash inflow be taken into account, the Group would have returned to a net cash position.

Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars, U.S. dollars and Renminbi, risk in exchange rate fluctuation would not be material. Interest on bank borrowings was charged at variable commercial rates prevailing in Hong Kong and the PRC. At the balance sheet date, certain assets of the Group with net book value of HK\$103 million (2003: HK\$106 million) had been pledged to secure borrowings granted to the Group.

During the year under review, the Group redeemed 166,666,666 Series B preference shares of the Company at HK\$0.60 each, totaling HK\$100 million. Accordingly, as at the date hereof, the Group has only in issue HK\$48.5 million of Series B preference shares.

PROSPECTS

The Group projects an optimistic view of the sales and business environment for printing business, despite of keen competition in the export market as well as the domestic PRC market. The Group will further widen its product range in hand assembling line of the stationery items and children book categories, and will further establish new customer base as well as to recruit additional sales and marketing personnel in overseas and the PRC markets.

To mitigate the adverse effects of the soaring of paper cost and increase in administrative and operating expenses, the Group will continue its effort to apply effective measures to maintain a stable paper cost. Meanwhile, the Group will improve its logistics workflow and to implement a stringent production, operations and management control.

In 2005, the Group will add new CTP system each for the Yuanzhou plant and Dongguan plant and will install three printing machines, including two 5-color printing presses in Yuanzhou plant and one 2-color printing press in Dongguan plant.

In addition to the strategy in sales and marketing, production operating system, finance, logistics, procurement and overall management of the Group, the next stage productivity and factory expansion plan and technological advancement will be the key agenda of the next five-year plan. The Group is proactively undertaking feasibility study in further expanding its printing conglomerate in the PRC. Recently, the Group has agreed to acquire a piece of land with site area of about 1.8 million sq. ft. for the construction of new factory in Huizhou, Guangdong. It is to cater for the future expansion of book printing business. Development will be carried out in phases.

Slogan of "Premier Quality. Caring Service" will become the benchmark of the Group. To achieve such goal, the Group will put more emphasis on professional skill training, management training, team building and efficient working environment so as to accomplish the goal of providing total printing solution to customers.

CLOSING OF REGISTER

The register of members will be closed from Monday, 23rd May, 2005 to Wednesday, 25th May, 2005, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by no later than 4:00 p.m. on Friday, 20th May, 2005.

STAFF

As at 31st December, 2004, the Group, including its subcontracting processing plant, employed 3,000 staff and workers, with their remuneration normally reviewed annually. The Group also provides its staff with other benefits including year-end double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to welcome Mr. WONG Chi Sing as an executive director and Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming to join as independent non-executive directors of the Company and express my heartfelt thanks to all management and staff for their dedicated contribution. With the support of my colleagues, I am confident that we can look ahead and continue to maximize our resources to bring greatest reward to our shareholders.

CHAN Sheung Chiu

Chairman

Hong Kong, 29th March, 2005