



## Chairman's Statement

### FINANCIAL RESULTS

The Directors announce that the audited profit attributable to ordinary shareholders of the Company for the year ended 31st December, 2005 amounted to HK\$43,014,000 (2004: HK\$58,330,000). Earnings per ordinary share were HK8.1 cents (2004: HK10.9 cents).

### DIVIDENDS

The Directors propose to declare a final dividend of HK3.3 cents (2004: HK3.3 cents) per ordinary share payable on or before 9th June, 2006 to ordinary shareholders whose names appear on the Company's register of members on 29th May, 2006. An interim dividend of HK1.2 cents (2004: HK1.2 cents) per ordinary share had been paid during the year. Therefore, total dividends per ordinary share amounted to HK4.5 cents (2004: HK4.5 cents).

### MANAGEMENT DISCUSSION ON RESULTS

The Group's printing business experienced a difficult operating year since the current management took charge in 2001. On the sales aspects, the industry suffered a severe price competition. However, the Group managed to increase its turnover for the year ended 31st December, 2005 by 3% to HK\$758,303,000 (2004: HK\$736,879,000), principally as a result of the increase in demand for printing business.

On the operational costs aspects, there were a number of unfavourable factors that had affected the Group's profit margin. These factors related primarily to the rise in raw materials prices, including paper prices and oil prices, the continuous rise in labour costs as well as the appreciation of Renminbi. The negative effect of these higher operating costs had dampened the Group's gross profit for the year ended 31st December, 2005, resulting in the fall in gross profit margin from 32% to 29% and gross profit decreased by 8% to HK\$219,937,000 (2004: HK\$237,940,000).

Other income of the Group during the year increased by 19% to HK\$18,284,000 (2004: HK\$15,401,000) whereas selling, administrative and operating expenses maintained at the same level as those of last year. Finance costs decreased by 11% to HK\$7,196,000 (2004: HK\$8,058,000) due to reduction in preference shares dividends paid during the year. Income tax expenses increased by 19% to HK\$11,140,000 (2004: HK\$9,399,000) mainly attributable to tax effect resulted from the disposal of interests in Chengdu Chuang's Centre during the year. Combining the above effects, profit attributable to ordinary shareholders decreased by 26% to HK\$43,014,000 (2004: HK\$58,330,000). Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by about 15% to HK\$94,725,000 (2004: HK\$110,933,000).



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## BUSINESS REVIEW

### (a) Printing Division

The core printing business of the Group comprised book printing and paper product printing. Turnover of the Group's printing business amounted to HK\$745 million (2004: HK\$719 million) and capital expenditure of the printing division during the year amounted to HK\$38 million.

#### (1) Book Printing

Book printing business focused mainly on multinational publishers and conglomerates in the United States, Europe, Australia, New Zealand and the People's Republic of China (the "PRC"). During the year, the Group has diversified its customer base and provided quality value-added services and professional printing solutions to its customers.



Art books



Children books



Pop-up books



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To serve for the change in product mix and the rapid growth in book printing business, the Group has expanded its paper engineering, sourcing, design and product development teams to cater for the expansion of value-added services to clients. During the year, the Group installed two new 5-color printing presses and completed the construction of a new staff quarter in Yuanzhou to accommodate the expansion of the hand assembly team.

Each year, the Group participated in the most prestigious and recognisable international printing competitions. This year, the Group won 31 awards in 2005 Premier Print Awards in the United States, including 2 Benny awards in the booklet and brochure series and product/service catalogs categories. Besides, the Group won the Best Produced Book Award in the 2005 Hong Kong Print Award and has been awarded the championship award in the monotone/duotone category for 4 consecutive years since 2002.



*Book Expo America 2005*



*Frankfurt Paperworld 2006*



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### *(2) Paper Product Printing*

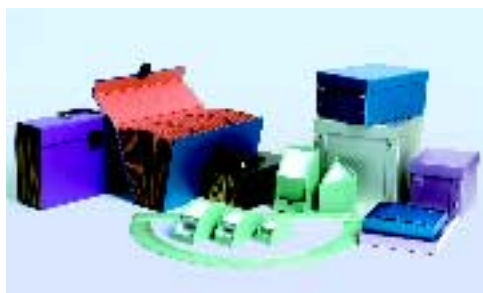
Paper product printing business concentrated on a comprehensive range of products including packaging products, commercial printing, premium gift products, greeting cards, stationery items and paper bags. By providing its reliable and supportive customer service, the Group has maintained close business partnership with sizable corporations in the overseas and the PRC market.



*Gift packaging products*



*Albums and premium gift products*



*Stationery items*

To cater for the growth in business and the digital prepress requirements, the Group has during the year installed a new CTP system and a 2-color printing press. In April 2006, the Group has also installed a UV printing press to expand its printing capability on PVC printing. In addition to the accreditation of ISO 9001, ISO 14001, OHSAS 18001 and the Integrated Management System Certificate, the Dongguan plant has been accredited the Code of Business Practices Certificates by the International Council of Toy Industries during the year.



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### **(b) Property Division**

During the year, the Group has completed the disposal of its 51% interests in Chengdu Chuang's Centre Development Company Limited which holds the commercial podium and basements of Chengdu Chuang's Centre in Chengdu, at the consideration of RMB100 million (HK\$93.5 million) in cash and the 6th floor of the Chengdu Chuang's Centre of about 45,800 sq. ft.. After the disposal, the Group holds a total gross floor area of 731,700 sq. ft. of investment properties in the PRC through the entire interests in Lambda Building, Yuen Sang Building and Chuang's Garden in Huiyang and the 6th floor of Chengdu Chuang's Centre in Chengdu. During the year, rental income of the property division amounted to HK\$14 million (2004: HK\$18 million).

### **PROSPECTS**

In view of the competitiveness in the field, 2006 will be a challenging year for the printing industry. Through the strength of its strong management and operation, the Group will continue to maintain strategic partnership with its major customers. Meanwhile, the Group will strive to explore new customer base and new market presence. In 2006, the Group will continue to attend major international fairs in the United States, Europe and the PRC in order to meet with new customers.

The Group will expand its productivity and product variety especially in the area of children books, board books and gift and stationery items and will continue to hire sales and marketing personnel from overseas and in the PRC. The Group will set its objective of increasing its share of higher margin business by optimizing its product mix with prudent pricing strategy. In the meantime, the Group will persist with cost control measures in production, logistic operations and to further improve in production efficiency.

With our commitments to provide quality and professional printing solutions to its customers, the Group is confident to meet the challenges ahead.



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### **LIQUIDITY AND FINANCIAL POSITIONS**

Net asset value of the Group as at 31st December, 2005 amounted to HK\$481 million, representing approximately HK\$0.9 per ordinary share.

As at 31st December, 2005, the Group's bank balances and cash amounted to HK\$138 million (2004: HK\$96 million) while bank borrowings amounted to HK\$146 million (2004: HK\$143 million), of which HK\$100 million (2004: HK\$107 million) are due from the second to fifth year. The Group's net bank borrowings amounted to HK\$8 million (2004: 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 1.7% (2004: 10.2%). 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\$27 million (2004: HK\$103 million) had been pledged to secure borrowings granted to the Group.

During the year under review, the Group redeemed the remaining 80,833,334 Series B preference shares of the Company at HK\$0.60 each, totaling HK\$48.5 million. Accordingly, as at the date hereof, the Group has no outstanding Series B preference shares.

### **CLOSING OF REGISTER**

The register of members will be closed from Thursday, 25th May, 2006 to Monday, 29th May, 2006, 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 Wednesday, 24th May, 2006.



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### **STAFF**

As at 31st December, 2005, the Group, including its subcontracting processing plant, employed approximately 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 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.

**KO Sheung Chi**

*Chairman*

Hong Kong, 18th April, 2006