



INTERIM REPORT 09/10 INTERIM REPORT 09/10

**森信**

Samson group

**集團**

**Samson Paper Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)



The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009 together with comparative figures for the corresponding period in 2008, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2009 with audited comparative figures as at 31 March 2009 as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Unaudited	
		Six months ended 30 September	
		2009	2008
		HK\$'000	HK\$'000
Revenue	2	<b>1,791,733</b>	2,336,434
Cost of sales		<b>(1,592,515)</b>	(2,094,219)
Gross profit		<b>199,218</b>	242,215
Other gains and income, net		<b>10,907</b>	9,202
Selling expenses		<b>(75,919)</b>	(78,023)
Administrative expenses		<b>(69,689)</b>	(69,030)
Other operating expenses		<b>(6,332)</b>	(27,777)
Operating profit	3	<b>58,185</b>	76,587
Finance costs		<b>(17,876)</b>	(25,883)
Share of loss of an associated company		<b>(1,186)</b>	(365)
Profit before taxation		<b>39,123</b>	50,339
Taxation	4	<b>(8,955)</b>	(11,937)
Profit for the period		<b>30,168</b>	38,402
Attributable to:			
Equity holders of the Company		<b>30,143</b>	37,410
Minority interests		<b>25</b>	992
		<b>30,168</b>	38,402
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	5	<b>HK6.0 cents</b>	HK8.7 cents
— Diluted	5	<b>HK4.7 cents</b>	HK8.7 cents
Interim dividend per share		<b>HK1.0 cent</b>	HK1.0 cent
Interim dividends	6	<b>6,348</b>	5,723

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>30,168</b>	<b>38,402</b>
<b>Other comprehensive income</b>		
Deferred tax liabilities on assets revaluation	—	(2,928)
Currency translation differences	<u>11,758</u>	<u>6,251</u>
<b>Other comprehensive income for the period, net of tax</b>	<u><b>11,758</b></u>	<u><b>3,323</b></u>
<b>Total comprehensive income for the period</b>	<u><b>41,926</b></u>	<u><b>41,725</b></u>
<b>Total comprehensive income attributable to:</b>		
— Equity holders of the Company	<b>41,827</b>	<b>41,303</b>
— Minority interest	<u><b>99</b></u>	<u><b>422</b></u>
	<u><u><b>41,926</b></u></u>	<u><u><b>41,725</b></u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2009

		Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	7	735,808	673,755
Prepaid premium for land leases	7	62,675	63,260
Investment properties		115,000	115,000
Intangible assets	8	40,765	38,631
Interest in associated company		63,560	60,140
Deferred tax assets		5,835	5,379
		<u>1,023,643</u>	<u>956,165</u>
Current assets			
Inventories		423,943	435,750
Accounts receivable, deposits and prepayments	9	1,097,810	976,854
Financial assets at fair value through profit or loss		14,369	11,434
Taxation recoverable		541	2,428
Restricted bank deposits		74,180	70,046
Bank balances and cash		642,033	594,704
		<u>2,252,876</u>	<u>2,091,216</u>
Current liabilities			
Accounts payable and accrued charges	10	1,018,236	946,792
Trust receipt loans	11	627,415	523,060
Taxation payable		14,573	10,466
Financial liabilities at fair value through profit or loss		—	356
Borrowings	11	212,845	152,962
		<u>1,873,069</u>	<u>1,633,636</u>
Net current assets		<u>379,807</u>	<u>457,580</u>
Total assets less current liabilities		<u>1,403,450</u>	<u>1,413,745</u>
Equity			
Share capital	12	63,485	63,485
Reserves		931,133	895,654
Proposed dividend		6,348	—
Shareholders' funds		1,000,966	959,139
Minority interests		8,245	8,146
Total equity		<u>1,009,211</u>	<u>967,285</u>
Non-current liabilities			
Borrowings	11	336,547	393,763
Other payable	13	34,095	33,975
Deferred tax liabilities		23,597	18,722
		<u>394,239</u>	<u>446,460</u>
		<u>1,403,450</u>	<u>1,413,745</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2009

	Unaudited	
	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	12,730	(31,877)
Net cash outflow from investing activities	(68,193)	(124,376)
Net cash inflow from financing activities	<u>98,892</u>	<u>289,202</u>
Net increase in cash and cash equivalents	43,429	132,949
Cash and cash equivalents at 1 April	594,704	281,068
Effect of change in exchange rate on cash & cash equivalents	<u>1,596</u>	<u>620</u>
Cash and cash equivalents at 30 September	<u><u>639,729</u></u>	<u><u>414,637</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	642,033	417,316
Bank overdrafts	<u>(2,304)</u>	<u>(2,679)</u>
	<u><u>639,729</u></u>	<u><u>414,637</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Unaudited					
	Attributable to the equity holders of the Company				Minority interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2008	42,926	247,421	523,611	813,958	9,031	822,989
Profit for the period	—	—	37,410	37,410	992	38,402
Other comprehensive income:						
Deferred tax liabilities on assets revaluation	—	(2,928)	—	(2,928)	—	(2,928)
Currency translation differences	—	6,821	—	6,821	(570)	6,251
Total comprehensive income	—	3,893	37,410	41,303	422	41,725
2007–2008 final dividend payable	—	—	(10,731)	(10,731)	—	(10,731)
Proposed 2008–2009 interim dividend	42,926	251,314	544,567	838,807	9,453	848,260
	—	—	5,723	5,723	—	5,723
At 30 September 2008	42,926	251,314	550,290	844,530	9,453	853,983
<b>At 1 April 2009</b>	<b>63,485</b>	<b>369,064</b>	<b>526,590</b>	<b>959,139</b>	<b>8,146</b>	<b>967,285</b>
Profit for the period	—	—	30,143	30,143	25	30,168
Other comprehensive income:						
Currency translation differences	—	11,684	—	11,684	74	11,758
Total comprehensive income	—	11,684	30,143	41,827	99	41,926
Proposed 2009–2010 interim dividend	63,485	380,748	550,385	994,618	8,245	1,002,863
	—	—	6,348	6,348	—	6,348
<b>At 30 September 2009</b>	<b>63,485</b>	<b>380,748</b>	<b>556,733</b>	<b>1,000,966</b>	<b>8,245</b>	<b>1,009,211</b>

Other reserves comprise share premium, assets revaluation reserve, capital reserve and exchange fluctuation reserve.

## I. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2009.

Relevant to the Group:

- HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit and loss account and statement of comprehensive income). The Group has elected to present two statements: a profit and loss account and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.
- HKAS 23 (amendment), “Borrowing costs”. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This amendment does not have a material impact on the Group’s financial statements as the Group has already chosen the allowed alternative treatment to capitalise borrowing cost attributable to qualifying assets under the original HKAS 23.
- HKFRS 2 (amendment), “Share-based payment”. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
- Amendment to HKFRS 7, “Financial instruments: disclosures”. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for financial instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 March 2010.

- HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. There is no change in the operating segments for the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors that make strategic decisions. Goodwill is allocated by management to groups of cash-generating units on a segment level.

Not relevant to the Group:

- HKAS 32 (amendment) “Financial instruments: presentation”
- HKAS 39 (amendment) “Financial instruments: Recognition and measurement”
- HK(IFRIC) 9 (amendment) “Reassessment of embedded derivatives” and HKAS 39 (amendment), “Financial instruments: Recognition and measurement”
- HK(IFRIC) 13 “Customer loyalty programmes”
- HK(IFRIC) 15 “Agreements for the construction of real estate”
- HK(IFRIC) 16 “Hedges of a net investment in a foreign operation”
- HK(IFRIC) 18 “Transfers of assets from customers”
- HKFRS 3 (revised) “Business combinations” and consequential amendments to HKAS 27, “Consolidated and separate financial statements”, HKAS 28, “Investments in associates” and HKAS 31, “Interests in joint ventures”

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

- Amendment to HKAS 39 “Financial instruments: Recognition and measurement” on eligible hedged items (effective from 1 January 2010)
- HK(IFRIC) 17 “Distributions of non-cash assets to owners” (effective from 1 January 2010)
- HKICPA’s improvements to HKFRS published in May 2009

## 2. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the nature of products and services. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/(loss) without allocation of finance costs which is consistent with that in the accounts.

As 30 September 2009, the Group has three operating segments:

- (1) Manufacturing, trading and marketing of paper products;
- (2) Trading and marketing of aeronautic parts and provision of services; and
- (3) Provision of marine services to marine, oil and gas industries.



Segment assets consist primarily of property, plant and equipment, prepaid premium for land leases, investment properties, intangible assets, interest in associated company, inventories, receivables, financial instruments and operating cash. They exclude deferred tax assets.

The segment information for the six months ended 30 September 2009 and as at 30 September 2009 are as follows:

	Unaudited					
	Six months ended 30 September 2009					
	Paper HK\$'000	Aeronautic parts and services HK\$'000	Marine services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
<b>SEGMENT RESULTS</b>						
Total segment revenue	1,722,608	33,317	31,256	6,909	—	1,794,090
Inter-segment revenue	—	—	—	(2,357)	—	(2,357)
<b>Revenue</b>	<u>1,722,608</u>	<u>33,317</u>	<u>31,256</u>	<u>4,552</u>	<u>—</u>	<u>1,791,733</u>
Segment results	60,816	2,109	905	1,095	(6,740)	58,185
Finance costs						(17,876)
Share of loss of an associated company	(1,186)	—	—	—	—	(1,186)
<b>Profit before taxation</b>						39,123
Taxation						(8,955)
<b>Profit for the period</b>						<u>30,168</u>
<b>OTHER PROFIT AND LOSS ITEMS</b>						
Depreciation	<u>6,878</u>	<u>264</u>	<u>3,977</u>	<u>392</u>	<u>62</u>	<u>11,573</u>
Amortisation charges	<u>622</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31</u>	<u>653</u>
<b>Unaudited</b>						
<b>As at 30 September 2009</b>						
	Paper HK\$'000	Aeronautic parts and services HK\$'000	Marine services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
<b>SEGMENT ASSETS</b>						
Segment assets	2,988,902	56,697	93,492	69,727	61,866	3,270,684
Deferred tax assets						5,835
<b>Total assets</b>						<u>3,276,519</u>

The segment information for the six months ended 30 September 2008 and as at 31 March 2009 are as follows:

	Unaudited					
	Six months ended 30 September 2008					
	Paper HK\$'000	Aeronautic parts and services HK\$'000	Marine services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
<b>SEGMENT RESULTS</b>						
Total segment revenue	2,213,446	52,834	47,390	47,409	—	2,361,079
Inter-segment revenue	—	—	—	(24,645)	—	(24,645)
<b>Revenue</b>	<u>2,213,446</u>	<u>52,834</u>	<u>47,390</u>	<u>22,764</u>	<u>—</u>	<u>2,336,434</u>
Segment results	72,183	5,931	1,327	(214)	(2,640)	76,587
Finance costs						(25,883)
Share of loss of an associated company	(365)	—	—	—	—	(365)
<b>Profit before taxation</b>						50,339
Taxation						(11,937)
<b>Profit for the period</b>						<u>38,402</u>
<b>OTHER PROFIT AND LOSS ITEMS</b>						
Depreciation	<u>3,629</u>	<u>402</u>	<u>3,771</u>	<u>1,694</u>	<u>51</u>	<u>9,547</u>
Amortisation charges	<u>356</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31</u>	<u>387</u>
	Audited					
	As at 31 March 2009					
	Paper HK\$'000	Aeronautic parts and services HK\$'000	Marine services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
<b>SEGMENT ASSETS</b>						
Segment assets	2,770,384	56,213	96,335	71,336	47,734	3,042,002
Deferred tax assets						5,379
<b>Total assets</b>						<u>3,047,381</u>

The Group's three operating segments operate in three main geographical areas, even though they are managed on a worldwide basis.

An analysis of the Group's turnover for the period by geographical areas is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	590,559	891,884
The PRC ( <i>note</i> )	992,605	1,222,429
Singapore	64,573	100,224
Others	143,996	121,897
	<u>1,791,733</u>	<u>2,336,434</u>

Note: The PRC, for the presentation purpose in these accounts, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

### 3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Crediting</b>		
Interest income	1,711	3,765
Provision for impairment on receivables written back	7,983	4,568
	<u>7,983</u>	<u>4,568</u>
<b>Charging</b>		
Depreciation of property, plant and equipment	11,573	9,547
Amortisation of prepaid premium for land leases	387	387
Amortisation of intangible assets	266	—
Provision for impairment on inventory	6,332	3,654
Provision for impairment on receivables	10,073	28,094
Net dilution loss on interest in an associated company	—	1,004
	<u>—</u>	<u>1,004</u>

### 4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profit has been calculated on the estimated assessable profit at the applicable rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax	2,693	5,261
Overseas taxation	1,843	6,416
Deferred taxation	4,419	260
	<u>4,419</u>	<u>260</u>
	<u>8,955</u>	<u>11,937</u>

## 5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 September	
	2009	2008
Profit attributable to equity holders of the Company (HK\$'000)	<u>30,143</u>	<u>37,410</u>
Weighted average number of ordinary shares in issue ('000 shares)	<u>502,779</u>	<u>429,258</u>
Basic earnings per share (HK cents)	<u>6.0</u>	<u>8.7</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: preference shares and warrants. The preference shares are assumed to be converted into ordinary shares. For the warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The Company has a share option scheme but no share option (2008: nil) has been granted under the scheme. The exercise of warrants is anti-dilutive and therefore not included in the calculation of diluted earnings per share.

	Unaudited	
	Six months ended 30 September	
	2009	2008
Profit attributable to equity holders of the Company (HK\$'000)	<u>30,143</u>	<u>37,410</u>
Weighted average number of ordinary shares in issue ('000 shares)	<u>502,779</u>	<u>429,258</u>
Adjustments for:		
— Assumed conversion of preference shares	<u>132,065</u>	—
— Share options and warrants	<u>—</u>	<u>—</u>
Weighted average number of shares for diluted earnings per share ('000 shares)	<u>634,844</u>	<u>429,258</u>
Diluted earnings per share (HK cents)	<u>4.7</u>	<u>8.7</u>

## 6. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Proposed, of HK\$0.01 (2008: HK\$0.01) per share	<u>6,348</u>	<u>5,723</u>

The amount is calculated based on 502,779,117 (30 September 2008: 429,258,039) ordinary shares and 132,064,935 (30 September 2008: 143,086,013) convertible non-voting preference shares (note 12) of par value of HK\$0.1 each and proposed dividend of HK1 cent per share.

This proposed interim dividend is not reflected as a dividend payable in these condensed financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2010.

## 7. CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i>	Unaudited Prepaid premium for land leases <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>
<b>Six months ended 30 September 2008</b>			
<b>Opening net book amount at 1 April 2008</b>	125,001	64,146	101,229
Currency translation differences	(1,670)	577	1,107
Additions	89,225	—	29,976
Disposals	(466)	—	—
Depreciation/amortisation	(9,951)	(695)	—
	<u>202,139</u>	<u>64,028</u>	<u>132,312</u>
<b>Six months ended 30 September 2009</b>			
<b>Opening net book amount at 1 April 2009</b>	337,990	63,260	335,765
Currency translation differences	4,372	112	609
Additions	16,382	—	57,024
Disposals	(2,469)	—	—
Depreciation/amortisation	(13,865)	(697)	—
	<u>342,410</u>	<u>62,675</u>	<u>393,398</u>

## 8. INTANGIBLE ASSETS

	Unaudited <i>HK\$'000</i>
<b>Six months ended 30 September 2008</b>	
Opening net book amount at 1 April 2008	36,932
Currency translation differences	(1,278)
	<u>35,654</u>
<b>Six months ended 30 September 2009</b>	
Opening net book amount at 1 April 2009	38,631
Currency translation differences	2,391
Addition	9
Amortisation	(266)
	<u>40,765</u>
Closing net book amount at 30 September 2009	<u>40,765</u>

## 9. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
Trade receivables, net of provision	<b>878,278</b>	715,510
Other receivables, deposits and prepayments	<b>219,532</b>	261,344
	<b><u>1,097,810</u></b>	<b><u>976,854</u></b>

The carrying values of the Group's trade and other receivables approximated their fair values.

The Group normally grants credit to customers ranging from 30 to 90 days.

The ageing analysis of trade receivables is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
Current to 60 days	<b>694,224</b>	505,951
61 to 90 days	<b>119,503</b>	101,404
Over 90 days	<b>64,551</b>	108,155
	<b><u>878,278</u></b>	<b><u>715,510</u></b>

There was no concentration of credit risk with respect to trade receivables as the Group had a large number of customers, which were widely dispersed within Hong Kong, the PRC and other countries.

## 10. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
Trade and bills payables	<b>806,317</b>	703,948
Accrued expenses and other payables	<b>203,642</b>	232,472
Loan from a minority shareholder	<b>578</b>	999
Amount due to an associated company	<b>7,699</b>	9,373
	<b><u>1,018,236</u></b>	<b><u>946,792</u></b>

The carrying values of the gross accounts payable and accrued charges approximated their fair values.

The loan from a minority shareholder and the amounts due to an associated company were unsecured, interest free and repayable on demand.

The ageing analysis of trade and bills payables is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	Audited 31 March 2009 <i>HK\$'000</i>
Current to 60 days	614,672	513,811
61 to 90 days	109,403	157,187
Over 90 days	<u>82,242</u>	<u>32,950</u>
	<u><b>806,317</b></u>	<u><b>703,948</b></u>

## II. BORROWINGS

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	Audited 31 March 2009 <i>HK\$'000</i>
<b>Non-current</b>		
Bank loans — unsecured	296,300	341,640
Bank loans — secured	36,507	46,222
Finance lease liabilities	<u>3,740</u>	<u>5,901</u>
Total non-current borrowings	<u><b>336,547</b></u>	<u><b>393,763</b></u>
<b>Current</b>		
Trust receipt loans — unsecured	425,523	362,255
Trust receipt loans — secured	<u>201,892</u>	<u>160,805</u>
	<u><b>627,415</b></u>	<u><b>523,060</b></u>
Bank loans — unsecured	184,307	123,698
Bank loans — secured	21,175	23,959
Bank overdrafts	2,304	—
Finance lease liabilities	<u>5,059</u>	<u>5,305</u>
	<u><b>212,845</b></u>	<u><b>152,962</b></u>
Total current borrowings	<u><b>840,260</b></u>	<u><b>676,022</b></u>
<b>Total borrowings</b>	<u><b>1,176,807</b></u>	<u><b>1,069,785</b></u>

At 30 September 2009, the Group's bank loans and overdrafts and trust receipt loans were repayable as follows:

	Bank loans and overdrafts		Trust receipt loans	
	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Within one year	207,786	147,657	627,415	523,060
In the second year	172,332	153,073	—	—
In the third to fifth years inclusive	160,475	234,789	—	—
	<u>540,593</u>	<u>535,519</u>	<u>627,415</u>	<u>523,060</u>

The effective interest rate at the balance sheet date on bank loans, bank overdrafts and trust receipt loans were 2.0% per annum (31 March 2009: 2.3% per annum).

The carrying amounts of bank loans, bank overdrafts and trust receipt loans approximated their fair values.

#### Finance lease liabilities

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	5,418	5,676
Later than 1 year but not later than 5 years	<u>4,056</u>	<u>6,379</u>
	9,474	12,055
Future finance charges on finance leases	<u>(675)</u>	<u>(849)</u>
Present value of finance lease liabilities	<u>8,799</u>	<u>11,206</u>

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	5,059	5,305
Later than 1 year and no later than 5 years	<u>3,740</u>	<u>5,901</u>
	<u>8,799</u>	<u>11,206</u>

At the balance sheet date, the carrying amount of finance lease liabilities approximated their fair value.



## 12. SHARE CAPITAL

	Number of shares of HK\$0.10 each		Share capital	
	Unaudited 30 September 2009	Audited 31 March 2009	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
<b>Authorised:</b>				
Ordinary shares				
At the beginning and the end of period/year	<u>1,456,913,987</u>	<u>1,456,913,987</u>	<u>145,691</u>	<u>145,691</u>
Convertible non-voting preference shares				
At the beginning and the end of period/year	<u>143,086,013</u>	<u>143,086,013</u>	<u>14,309</u>	<u>14,309</u>
Total	<u>1,600,000,000</u>	<u>1,600,000,000</u>	<u>160,000</u>	<u>160,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares				
At the beginning of period/year	491,758,039	491,758,039	49,176	49,176
Convert from non-voting preference shares	<u>11,021,078</u>	<u>—</u>	<u>1,102</u>	<u>—</u>
At the end of period/year	<u>502,779,117</u>	<u>491,758,039</u>	<u>50,278</u>	<u>49,176</u>
Convertible non-voting preference shares				
At the beginning of period/year	143,086,013	143,086,013	14,309	14,309
Convert into ordinary shares	<u>(11,021,078)</u>	<u>—</u>	<u>(1,102)</u>	<u>—</u>
At the end of period/year	<u>132,064,935</u>	<u>143,086,013</u>	<u>13,207</u>	<u>14,309</u>
Total	<u>634,844,052</u>	<u>634,844,052</u>	<u>63,485</u>	<u>63,485</u>

The shareholders of the Company adopted a share option scheme which complies the requirements of Chapter 17 of the Listing Rules. As at 30 September 2009, no share option was granted or outstanding.

## 13. OTHER PAYABLE

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Purchases financed by a supplier	<u>34,095</u>	<u>33,975</u>

The amount represents funding provided by a supplier for purchase of machinery parts for the mill in Shandong province, the PRC of the Group.

The effective interest rate at the balance sheet date was 3.0% (31 March 2009: 3.0%) per annum and repayable in the financial year ending 31 March 2011.

The carrying value of other payable approximated its fair values.

#### 14. BANK GUARANTEES

As at 30 September 2009, the Company continued to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of such facilities utilized by the subsidiaries as at 30 September 2009 amounted to HK\$1,168,000,000 (31 March 2009: HK\$1,059,000,000).

#### 15. COMMITMENTS

##### (a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
Property, plant and equipment, and land leases Contracted but not provided for	<u>383,835</u>	<u>371,799</u>

(b) As at 30 September 2009, the Company had commitment in respect of the injection of capital into certain subsidiaries in the PRC amounted to approximately HK\$148,506,000 (31 March 2009: HK\$148,506,000).

##### (c) Operating lease commitments

As at 30 September 2009, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
No later than one year	26,355	22,254
Later than one year and not later than five years	<u>5,953</u>	<u>11,219</u>
	<u>32,308</u>	<u>33,473</u>

##### (d) Operating lease receivable

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
No later than one year	6,435	6,159
Later than one year and not later than five years	<u>797</u>	<u>3,189</u>
	<u>7,232</u>	<u>9,348</u>

## 16. CHARGE OF ASSETS

As at 30 September 2009, trust receipt loans of HK\$201,892,000 (31 March 2009: HK\$160,805,000) and bank loans of HK\$57,682,000 (31 March 2009: HK\$70,181,000) were secured by legal charges on the Group's properties with net book amount of approximately HK\$165,277,000 (31 March 2009: HK\$165,616,000).

## 17. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business at prices and terms no less than those charged and contracted with other third party suppliers and customers of the Group are as follows:

	Unaudited	
	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
<b>(a) Sale to and purchase from related parties</b>		
(i) Rental income from an associated company	<u>—</u>	<u>561</u>
(ii) Rental expense paid to an associated company	<u>—</u>	<u>154</u>
(iii) Purchase from an associated company	<u>1,230</u>	<u>20,858</u>

	Unaudited	
	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
<b>(b) Period-end balances arising from sales/purchase of goods</b>		
(i) Payables to an associated company	<u>7,949</u>	<u>11,836</u>
(ii) Receivables from an associated company	<u>—</u>	<u>35</u>

Balance of receivables from an associated company is included in trade receivables.

Amounts due are unsecured, interest free and repayable on demand.

	Unaudited	
	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
<b>(c) Key management compensation</b>		
Key management compensation	<u>6,377</u>	<u>6,165</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### The Economy

A gradual market recovery from the global financial crisis that began in the last quarter of 2008 has been observed in Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC"). While most other areas of the world continue to flounder economically, the PRC is a bright spot. The PRC's 2009 GDP growth is projected to exceed 8.0%, which is largely attributed to increased consumer spending and success of the four-trillion yuan (US\$580 billion) government stimulus package.

Looking at the country's quarterly results, an 8.9% GDP growth year-on-year for the third quarter of 2009 was reported versus 7.2% growth in the second, demonstrating a significant upward trend. The PRC's prospects remain positive.

Benefited by the faster growth of the PRC economy and a waning in recessionary forces in other advanced economies, the Hong Kong economy has also seen some modest gains with GDP for the third quarter of 2009 down by 2.4% year-on-year, but improved from the 3.6% decrease in the second quarter of 2009.

### The Paper Industry

The price of book printing papers and packaging boards started to stabilise in the first quarter of 2009 and began to increase by between 10.0% to 20.0% in March 2009 from its trough in December 2008. During the review period, as the market started to recover and demand for paper products has returned since the end of the second quarter of 2009, the prices of various types of paper products have increased by between 5.0% to 10.0% as compared with the levels in March 2009.

### Operations Review

#### *Financial Performance*

With the economy yet to fully recover, the Group adopted a conservative sales strategy focusing more on ensuring profitability and serving quality customers instead of pushing for turnover growth. As a result, the Group reported a drop in turnover, but improvement in margins. Turnover was HK\$1,791.7 million, a drop of 23.3% compared with the last corresponding period, whereas profit attributable to shareholders was HK\$30.1 million, representing a 19.4% decrease against the same period last year. At the effective efforts of the Group in inventory control, overall gross profit margin improved by 7.0% from 10.37% to 11.12% and net profit margin was up from 1.64% to 1.68%, an increase of 2.0%. Earnings per share were HK6.0 cents (2008/09: HK8.7 cents).

Facing difficult market conditions, the Group continued to maintain a healthy financial position. The level of accounts receivable decreased by 32.5% from HK\$1,300.8 million in the same period last year to HK\$878.3 million. However, the amount is 22.8% more than the position as at 31 March 2009 heeding seasonal factors. Inventory level was down by a further 2.7% to HK\$423.9 million as compared with the position as at 31 March 2009. Cash and bank balance amounted to HK\$716.2 million, with gearing ratio at 31.3% (31 March 2009: 29.5%). To mitigate credit exposure, the Group continued to tighten credit policy and was prudent in customer selection. This policy has proven to be successful, allowing the Group to shorten collection period by 15 days as compared with the last corresponding period. Provision for doubtful debts, after a provision of HK\$8 million was written back, decreased from 0.7% to 0.1% of the Group's total revenue.

By business segment, paper business, consumable aeronautic parts and services and marine services accounted for 96.1%, 1.9% and 1.7% of the Group's total revenue respectively.

### *Paper Business*

The shift of focus of the Group to defending profitability and serving quality customers prompted by adverse market conditions brought a 22.2% decrease in the sales of paper products to HK\$1,722.6 million, with operating profit of HK\$60.8 million, a 15.8% drop as compared with the same period last year. In terms of sale volume, with the Group's paper mill in Shandong province, the PRC ("Shandong mill") reporting strong growth in sales and the support of an extensive sales network in the PRC, the total sales of paper products rose by 7.0% to 347,700 metric tonnes for the period. Thanks to stringent cost control measures, effective inventory control and contributions from the higher-margin paper manufacturing segment, the operating profit margin of paper business increased by 8.3% from 3.26% to 3.53% during the review period.

The Shandong mill, which is currently producing duplex boards at an annual production capacity of 170,000 metric tonnes, recorded a 35.0% growth, or HK\$200 million, in turnover including inter-company sales of HK\$63.2 million. In terms of sales tonnage, there was a rise of 101.0% as a result of two production lines in operation for a longer period and machine optimised at the mill during the review period. The mill made an operating profit of HK\$17.4 million, with operating profit margin at 8.7%.

Benefiting from the Group's comprehensive distribution network in the PRC, sales in the country including that from the mill accounted for 57.4% of the total turnover of paper products. To fully tap the opportunities in the resilient PRC market, the Group stepped up efforts to consolidate its sales network and expand clientele during the period under review. Hong Kong, the Group's second key market, accounted for 34.2% of the total paper product sales whereas other Asian markets accounted for the remaining 8.4%.

Two key products of the paper business — book printing papers and packaging boards — accounted for 47.0% and 41.6% of the Group's total turnover from paper products respectively. Sales contributions from the two products for the period remained stable.

### *Consumable Aeronautic Parts Business*

The consumable aeronautic parts business, which has been in operation for several years, was hit hard by the global economic crisis during the review period. Turnover amounted to HK\$33.3 million, a drop of 36.9% compared with the same period last year and operating profit was HK\$2.1 million. However, there are signs that the business has begun to stabilise.

### *Marine Services Business*

The marine services business faced the same difficult operating environment as the consumable aeronautic parts business stemming from the worldwide financial crisis. For the business segment, turnover decreased by 34.1% to HK\$31.3 million and operating profit was HK\$0.9 million. The segment is also stabilising as the macroeconomic environment gradually improves.

## **Prospects**

Among countries worldwide, the PRC has stood out in resilience and strength amid the global economic crisis. At the prompt and effective economic stimulus efforts of the Chinese government, the PRC market has remained full of potential. Expecting continuous growth for the PRC economy and the spending power of Chinese consumers, the Group sees a consistent rise in domestic demand for paper products in the months to come. The Group believes the worst times have passed and is thus cautiously optimistic about its prospects in 2010 and beyond.

The paper manufacturing business will be the Group's main growth driver as it provides a new income stream with higher profit margins. Operating at full capacity now, the two production lines in the Shandong mill will make stable contributions to the Group in the coming six months. To cater to rising demand, the Group plans to begin trial runs of an addition production line ("PM5") in the third quarter of 2010. The new production line, when in full operation, will be able to produce 200,000 metric tonnes of kraftliner boards and corrugated mediums and lift the total production capacity of the Group to 370,000 metric tonnes.

For its key revenue source, the paper trading business, the Group will focus on increasing sales in the PRC. Anticipating the proportion of PRC customers in its clientele to continue to increase, the Group will enhance its China presence. The management plans to consolidate all offices in the country to achieve better efficiency. It will explore locations with strong business potential in the PRC to set up new offices and expand its network.

The Group is well positioned to expand and tap the bright prospects of the PRC market. To realise its vision, the Group will continue to optimise internal management and reinforce its financial position so as to seize the most opportunities arising from the gradual economic recovery.

## **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK1 cent (2008: HK1 cent) per share for the six months ended 30 September 2009. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 8 January 2010. The interim dividend will be paid on or about 20 January 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 6 January 2010 to 8 January 2010 (both days inclusive), during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on 5 January 2010.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2009, the total number of the Group's employees was 1,457. The Group's remuneration policies are primarily based on prevailing market levels and salaries are reviewed with reference to the performance of the Group and the individual employee concerned. In addition to salary payment, other staff benefits including performance bonus, education subsidies, provident fund, medical insurance and share option are offered to reward our high-calibre staff. Training on strategic planning and implementation, sales and marketing disciplines are offered to various management levels on a regular basis.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's short term deposits and bank balances and bank borrowings as at 30 September 2009 amounted to approximately HK\$716 million (including restricted bank deposits of HK\$74 million) and HK\$1,168 million respectively. As at 30 September 2009, its gearing ratio, measured on the basis of the Group's net debt divided by total capital was 31.3% (31 March 2009: 29.5%). With bank balances and other current assets of approximately HK\$2,253 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

## FOREIGN EXCHANGE RISK

The Group's foreign currency purchases were mainly denominated in United States dollars. Foreign exchange contracts and options were used, if necessary, to hedge the Group's foreign currency exposure. As the Group relied on the RMB banking finances to fund the operation in the PRC, which provides a natural hedge against currency risks, the appreciation of RMB does not have much impact on the Group.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2009, the interests and short positions of each Director and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

### (a) Long position in shares of the Company

#### Ordinary shares (the "Shares") of HK\$0.10 each

	Capacity	Number of ordinary shares beneficially held			Total	Percentage
		Personal interest	Corporate interest	Family interest		
Mr. LEE Seng Jin	Beneficial owner	64,229,844	278,234,156 (Note)	16,712,556	359,176,556	71.44%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	572,556	16,140,000	342,464,000	359,176,556	71.44%
Mr. CHOW Wing Yuen	Beneficial owner	540,000	—	—	540,000	0.11%

#### Convertible non-voting preference shares ("CP shares") of HK\$0.10 each

	Capacity	Number of CP shares beneficially held			Total	Percentage
		Personal interest	Corporate interest	Family interest		
Mr. LEE Seng Jin	Beneficial owner	—	132,064,935 (Note)	—	132,064,935	100.00%

**Warrant at a subscription price of HK\$0.80 per share which will be expired on 4 June 2010**

	Capacity	Number of warrants held			Total	Percentage
		Personal interest	Corporate interest	Family interest		
Mr. LEE Seng Jin	Beneficial owner	6,171,489	—	2,785,426	8,956,915	27.23%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	95,426	2,690,000	6,171,489	8,956,915	27.23%
Mr. CHOW Wing Yuen	Beneficial owner	90,000	—	—	90,000	0.27%

*Note:*

The 278,234,156 Ordinary Shares and 132,064,935 CP shares are held by Quinselle Holdings Limited which is wholly owned by Mr. Lee Seng Jin. Mr. Lee Seng Jin therefore deemed under the SFO to be interested in such Shares and CP Shares.

Save as disclosed above, as at 30 September 2009, none of the Directors and chief executives of the Company had any interest or short position in the shares or underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those interests disclosed above, the Directors and chief executives of the Company also hold shares of certain subsidiaries of the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

At no time during the period was the Company, its holding company, its subsidiaries or its associated companies a party to any arrangement to enable any Director or chief executives of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company and its associated corporations as defined in the SFO.

**(b) Short positions in shares and underlying Shares of the Company**

None of the Directors and the chief executive of the Company or their associates had any short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



**(c) Share option scheme**

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 30 September 2009, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

*(1) Purpose*

The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

*(2) Participants*

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

*(3) Maximum number of shares*

The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of share available for issue under the Option Scheme is 42,925,803 as at the date of this report.

*(4) Maximum entitlement of each Participant*

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

*(5) Time of exercise of option*

An option may be exercised in accordance with the terms of the Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Option Scheme.

*(6) The eligible person shall pay HK\$1.0 to the Company in consideration of the grant of an option upon acceptance of the grant of option.*

(7) *Exercise price*

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of

- a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;
- b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- c) the nominal value of a share on the date of grant.

(8) *Remaining life of the Option Scheme*

The Option Scheme will remain in force until 26 February 2014.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY**

As at 30 September 2009, the interests and short positions of the shareholders of the Company other than a Director or chief executives of the Company and their associates, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO were as follows:

### **Long position in ordinary shares of HK\$0.10 each in the Company**

<b>Name of shareholder</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of interest to total issued share capital of the Company</b>
Quinselle Holdings Limited (Note)	278,234,156	55.34%

### **Long position in CP shares of HK\$0.10 each in the Company**

<b>Name of shareholder</b>	<b>Number of CP shares</b>	<b>Percentage of interest to total issued CP share capital of the Company</b>
Quinselle Holdings Limited (Note)	132,064,935	100.00%

Note: Quinselle Holdings Limited is a company wholly owned by Mr. Lee Seng Jin.

Save as disclosed above, the register which was required to be kept under Section 336 of the SFO shows that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 September 2009.

## CONTINGENT LIABILITIES

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of such facilities utilized by the subsidiaries as at 30 September 2009 amounted to HK\$1,168,000,000 (31 March 2009: HK\$1,059,000,000).

## CHARGE OF ASSETS

As at 30 September 2009, trust receipt loans of HK\$201,892,000 (31 March 2009: HK\$160,805,000) and bank loans of HK\$57,682,000 (31 March 2009: HK\$70,181,000) were secured by legal charge on certain properties of the Group.

## AUDIT COMMITTEE

The Audit Committee of the Company (the "Committee") was set up to review and provide supervision of the Group's financial reporting process and internal controls. The Committee has reviewed the Group's unaudited interim report for the six months ended 30 September 2009 before it was tabled for the Board's approval.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the Directors, the Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six-month period ended 30 September 2009 except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the bye-laws of the Company.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises five executive Directors, namely Mr. SHAM Kit Ying, Mr. LEE Seng Jin, Mr. CHOW Wing Yuen, Ms. SHAM Yee Lan, Peggy and Mr. LEE Yue Kong, Albert, one non-executive Director, Mr. LAU Wang Yip, Eric and three independent non-executive Directors, namely Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong, and Mr. NG Hung Sui, Kenneth.

By Order of the Board  
**SHAM Kit Ying**  
Chairman

Hong Kong, 17 December 2009