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Samson group

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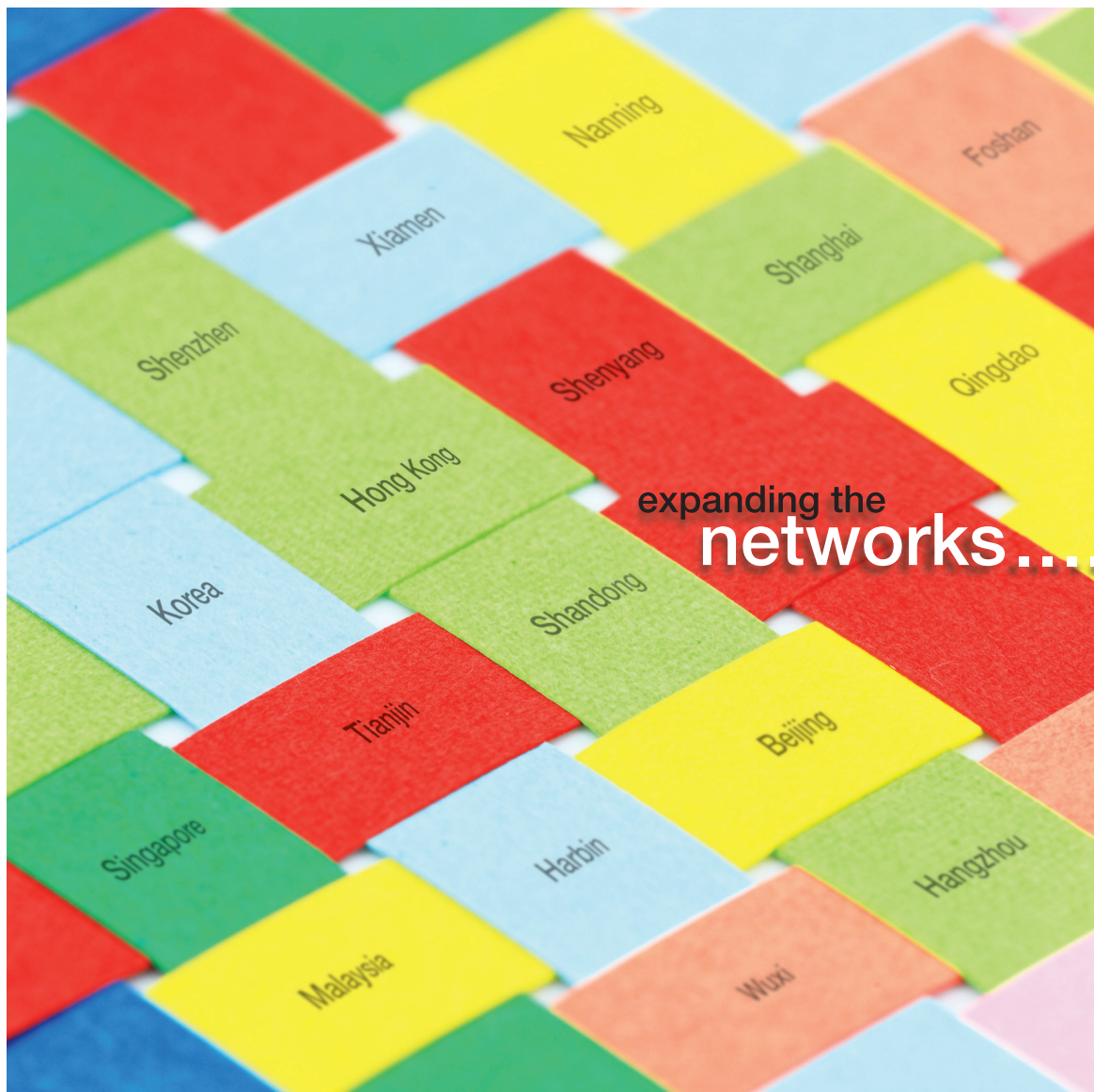
**Samson Paper Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)



11/12 INTERIM REPORT



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 2011 together with comparative figures for the corresponding period in 2010, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2011 with audited comparative figures as at 31 March 2011 as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited	
		Six months ended 30 September	
		2011	2010
		HK\$'000	HK\$'000
Revenue	3	<b>2,676,451</b>	2,303,948
Cost of sales		<b>(2,410,586)</b>	(2,075,718)
Gross profit		<b>265,865</b>	228,230
Other gains and income, net		<b>11,402</b>	15,252
Selling expenses		<b>(94,220)</b>	(86,780)
Administrative expenses		<b>(87,966)</b>	(84,183)
Other operating expenses		<b>(2,332)</b>	(3,887)
Operating profit	4	<b>92,749</b>	68,632
Finance costs		<b>(41,533)</b>	(24,483)
Profit before taxation		<b>51,216</b>	44,149
Taxation	5	<b>(10,547)</b>	(10,440)
Profit for the period		<b>40,669</b>	33,709
Attributable to:			
Owners of the parent		<b>40,479</b>	34,701
Non-controlling interests		<b>190</b>	(992)
		<b>40,669</b>	33,709
			(restated)
Earnings per share			
— Basic	6	<b>HK3.4 cents</b>	HK3.2 cents
— Diluted	6	<b>HK3.2 cents</b>	HK2.7 cents
Interim dividend per share		<b>HK0.5 cent</b>	HK1.0 cent
Interim dividends	7	<b>6,366</b>	6,366

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>40,669</b>	33,709
<b>Other comprehensive income</b>		
Currency translation differences	<u>11,862</u>	<u>26,137</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>11,862</u>	<u>26,137</u>
<b>Total comprehensive income for the period</b>	<u>52,531</u>	<u>59,846</u>
<b>Total comprehensive income attributable to:</b>		
— Owners of the parent	52,666	60,456
— Non-controlling interests	<u>(135)</u>	<u>(610)</u>
	<u>52,531</u>	<u>59,846</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2011

	Note	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	1,358,699	1,330,148
Prepaid premium for land leases	8	42,836	42,343
Investment properties		150,000	150,000
Intangible assets	9	43,724	45,168
Available-for-sale financial assets		4,327	4,327
Non-current deposit		15,228	14,863
Deferred tax assets		7,216	7,195
		<u>1,622,030</u>	<u>1,594,044</u>
<b>Current assets</b>			
Inventories		818,277	836,973
Accounts receivable, deposits and prepayments	10	1,575,287	1,431,250
Financial assets at fair value through profit or loss		8,433	6,282
Taxation recoverable		2,881	6,004
Restricted bank deposits		127,280	152,258
Bank balances and cash		534,027	682,724
		<u>3,066,185</u>	<u>3,115,491</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	1,189,073	1,362,261
Trust receipt loans	12	871,812	815,841
Taxation payable		15,574	15,239
Borrowings	12	583,004	520,572
		<u>2,659,463</u>	<u>2,713,913</u>
Net current assets		<u>406,722</u>	<u>401,578</u>
Total assets less current liabilities		<u>2,028,752</u>	<u>1,995,622</u>
<b>Equity</b>			
Equity attributable to owners of the parent			
Share capital	13	127,315	127,315
Reserves		1,118,395	1,072,095
Proposed dividend		6,366	12,731
		<u>1,124,761</u>	<u>1,084,826</u>
		1,252,076	1,212,141
Non-controlling interests		<u>10,009</u>	<u>10,144</u>
Total equity		<u>1,262,085</u>	<u>1,222,285</u>
<b>Non-current liabilities</b>			
Borrowings	12	709,629	720,986
Deferred tax liabilities		57,038	52,351
		<u>766,667</u>	<u>773,337</u>
		<u>2,028,752</u>	<u>1,995,622</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Unaudited	
	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(251,633)	(124,529)
Net cash outflow from investing activities	(35,107)	(155,597)
Net cash inflow from financing activities	<u>133,029</u>	<u>330,181</u>
Net (decrease)/increase in cash and cash equivalents	(153,711)	50,055
Cash and cash equivalents at 1 April	680,083	461,044
Effect of change in exchange rate on cash and cash equivalents	<u>6,018</u>	<u>5,452</u>
Cash and cash equivalents at 30 September	<u><u>532,390</u></u>	<u><u>516,551</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	534,027	518,224
Bank overdrafts	<u>(1,637)</u>	<u>(1,673)</u>
	<u><u>532,390</u></u>	<u><u>516,551</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Unaudited Attributable to owners of the parent				Non- controlling interests HK'000	Total equity HK'000
	Share capital HK'000	Other reserves HK'000	Retained earnings HK'000	Subtotal HK'000		
	At 1 April 2010	63,585	380,488	583,273		
Comprehensive income						
Profit for the period	—	—	34,701	34,701	(992)	33,709
Other comprehensive income						
Currency translation differences	—	25,755	—	25,755	382	26,137
Total comprehensive income	—	25,755	34,701	60,456	(610)	59,846
Issuance of ordinary shares	72	508	—	580	—	580
2009–2010 final dividend payable	—	—	(12,731)	(12,731)	—	(12,731)
Proposed 2010–2011 interim dividend	63,657	406,751	598,877	1,069,285	10,187	1,079,472
	—	—	6,366	6,366	—	6,366
At 30 September 2010	<u>63,657</u>	<u>406,751</u>	<u>605,243</u>	<u>1,075,651</u>	<u>10,187</u>	<u>1,085,838</u>
<b>At 1 April 2011</b>	<b>127,315</b>	<b>448,242</b>	<b>636,584</b>	<b>1,212,141</b>	<b>10,144</b>	<b>1,222,285</b>
Comprehensive income						
Profit for the period	—	—	40,479	40,479	190	40,669
Other comprehensive income						
Currency translation differences	—	12,187	—	12,187	(325)	11,862
Total comprehensive income	—	12,187	40,479	52,666	(135)	52,531
2010–2011 final dividend payable	—	—	(12,731)	(12,731)	—	(12,731)
Reserves	127,315	460,429	657,966	1,245,710	10,009	1,255,719
Proposed 2011–2012 interim dividend	—	—	6,366	6,366	—	6,366
At 30 September 2011	<u>127,315</u>	<u>460,429</u>	<u>664,332</u>	<u>1,252,076</u>	<u>10,009</u>	<u>1,262,085</u>

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

## 1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing, trading and marketing of paper products. The Group is also engaged in the trading of consumable aeronautic parts and marine services. Detailed analysis of these business segments are set out in note 3 to the accounts.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 3/F Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim accounts are presented in Hong Kong dollars, unless otherwise stated. These unaudited condensed consolidated interim accounts have been approved for issue by the Board of Directors on 28 November 2011.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts for the six months ended 30 September 2011 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 unaudited condensed consolidated interim accounts should be read in conjunction with the annual consolidated accounts for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated accounts for the year ended 31 March 2011, as described in those annual consolidated accounts.

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

The following amendment to standard is mandatory for the first time for the financial year beginning 1 April 2011 and adopted by the Group:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.
- Amendment to HK(IFRIC) — Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.
- HK(IFRIC) — Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed above and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

The Group has not adopted any new HKFRSs that are not yet effective for the current accounting period.

### 3. 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 2011, the Group is organised on a worldwide basis into three main business segments:

- (1) Paper trading: trading and marketing of paper products;
- (2) Paper manufacturing: manufacturing of paper products in Shandong, the People's Republic of China (the "PRC");
- (3) Others: including trading and marketing of aeronautic parts and provision of related services and the 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, inventories, receivables, financial instruments, non-current asset held for sale and operating cash. They exclude deferred tax assets and taxation recoverable.



The segment information for the six months ended 30 September 2011 and as at 30 September 2011 are as follows:

	Unaudited			
	Six months ended 30 September 2011			
	Paper Trading	Paper Manufacturing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>SEGMENT RESULTS</b>				
Total segment revenue	2,154,439	717,062	65,595	2,937,096
Inter-segment revenue	<u>(90,185)</u>	<u>(162,229)</u>	<u>(8,231)</u>	<u>(260,645)</u>
<b>Revenue from external customers</b>	<u>2,064,254</u>	<u>554,833</u>	<u>57,364</u>	<u>2,676,451</u>
Reportable segment results	47,657	48,202	1,302	97,161
Corporate expenses				<u>(4,412)</u>
Operating profit				92,749
Finance costs				<u>(41,533)</u>
<b>Profit before taxation</b>				51,216
Taxation				<u>(10,547)</u>
<b>Profit for the period</b>				<u>40,669</u>
<b>OTHER PROFIT AND LOSS ITEMS</b>				
Depreciation	<u>6,024</u>	<u>17,565</u>	<u>3,525</u>	<u>27,114</u>
Amortisation charges	<u>521</u>	<u>15</u>	<u>36</u>	<u>572</u>
<b>SEGMENT ASSETS</b>				
Reportable segment assets	3,132,171	1,373,707	171,598	4,677,476
Taxation recoverable				2,881
Deferred tax assets				7,216
Corporate assets				<u>642</u>
Total assets				<u>4,688,215</u>

The segment information for the six months ended 30 September 2010 and as at 31 March 2011 are as follows:

	Unaudited			
	Six months ended 30 September 2010			
	Paper Trading	Paper Manufacturing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>SEGMENT RESULTS</b>				
Total segment revenue	2,055,275	318,566	56,611	2,430,452
Inter-segment revenue	(33,381)	(91,212)	(1,911)	(126,504)
<b>Revenue from external customers</b>	<b>2,021,894</b>	<b>227,354</b>	<b>54,700</b>	<b>2,303,948</b>
Reportable segment results	52,687	20,115	1,189	73,991
Corporate expenses				(5,359)
Operating profit				68,632
Finance costs				(24,483)
<b>Profit before taxation</b>				<b>44,149</b>
Taxation				(10,440)
<b>Profit for the period</b>				<b>33,709</b>
<b>OTHER PROFIT AND LOSS ITEMS</b>				
Depreciation	3,699	6,808	4,019	14,526
Amortisation charges	352	6	36	394
<b>SEGMENT ASSETS</b>				
Reportable segment assets	3,245,252	1,280,522	170,428	4,696,202
Taxation recoverable				6,004
Deferred tax assets				7,195
Corporate assets				134
<b>Total assets</b>				<b>4,709,535</b>

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

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

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	751,492	887,363
The PRC ( <i>note</i> )	1,648,455	1,226,163
Singapore	52,914	50,112
Korea	192,187	113,513
Malaysia	31,403	26,797
	<u>2,676,451</u>	<u>2,303,948</u>

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

#### 4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Crediting		
Interest income	4,607	3,543
Provision for impairment on receivables written back	285	7,382
	<u>4,892</u>	<u>10,925</u>
Charging		
Depreciation of property, plant and equipment	27,114	14,526
Amortisation of prepaid premium for land leases	287	119
Amortisation of intangible assets	285	275
Provision for impairment on inventories	2,279	2,263
Provision for impairment on receivables	2,558	4,559
	<u>32,513</u>	<u>21,742</u>

## 5. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Hong Kong profits tax	1,495	4,085
Overseas taxation	4,386	1,569
Deferred taxation relating to origination and reversal of temporary differences	4,666	4,786
	<u>10,547</u>	<u>10,440</u>

## 6. EARNINGS PER SHARE

On 20 January 2011, the Company issued 636,570,381 new ordinary shares through a bonus issue. The number of shares used for prior year calculations of earnings per share shown below have been adjusted for bonus issue in order to provide a comparable basis for the current year..

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent less preference dividends of HK\$1,321,000 (2010: HK\$2,641,000) by the weighted average number of 1,141,076 (adjusted 2010: 1,009,011) ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 September	
	2011	2010
		(restated)
Profit attributable to owners of the parent less preference dividend (HK\$'000)	<u>39,158</u>	<u>32,060</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,141,076</u>	<u>1,009,011</u>
Basic earnings per share	<u>HK3.4 cents</u>	<u>HK3.2 cents</u>



(b) **Diluted**

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 issued convertible non-voting preference shares in 2008 which are assumed to be converted into ordinary shares. The Company has a share option scheme but no share option (2010: Nil) has been granted under the scheme.

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
		(restated)
Profit attributable to owners of the parent ( <i>HK\$'000</i> )	<u><b>40,479</b></u>	<u>34,701</u>
Weighted average number of ordinary shares in issue ('000)	<b>1,141,076</b>	1,009,011
Adjustments for:		
— Assumed conversion of preference shares ('000)	<u><b>132,065</b></u>	<u>264,130</u>
Weighted average number of shares for diluted earnings per share ('000)	<u><b>1,273,141</b></u>	<u>1,273,141</u>
Diluted earnings per share	<u><b>HK3.2 cents</b></u>	<u>HK2.7 cents</u>

**7. INTERIM DIVIDENDS**

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Proposed — HK\$0.005 (2010: HK\$0.01) per ordinary share	<b>5,706</b>	5,045
Proposed — HK\$0.005 (2010: HK\$0.01) per preference share	<u><b>660</b></u>	<u>1,321</u>
	<u><b>6,366</b></u>	<u>6,366</u>

At a meeting held on 28 November 2011, the Directors proposed an interim dividend of HK\$0.005 per share. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2012.

## 8. PROPERTY PLANT AND EQUIPMENT AND PREPAID PREMIUM FOR LAND LEASES

	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 2010</b>			
Opening net book amount at 1 April 2010	429,090	41,884	344,828
Currency translation differences	5,396	522	5,906
Additions	17,498	—	205,781
Disposals	(6,593)	—	—
Depreciation and amortisation	(15,453)	(434)	—
	<u>429,938</u>	<u>41,972</u>	<u>556,515</u>
Closing net book amount at 30 September 2010			
<b>Six months ended 30 September 2011</b>			
Opening net book amount at 1 April 2011	1,090,384	42,343	239,764
Currency translation differences	18,176	780	4,857
Additions	28,345	—	17,307
Disposals	(12,554)	—	—
Depreciation and amortisation	(27,580)	(287)	—
	<u>1,096,771</u>	<u>42,836</u>	<u>261,928</u>
Closing net book amount at 30 September 2011			

## 9. INTANGIBLE ASSETS

	Unaudited <i>HK\$'000</i>
<b>Six months ended 30 September 2010</b>	
Opening net book amount at 1 April 2010	41,280
Currency translation differences	2,354
Addition	313
Amortisation	<u>(275)</u>
Closing net book amount at 30 September 2010	<u>43,672</u>
<b>Six months ended 30 September 2011</b>	
Opening net book amount at 1 April 2011	45,168
Currency translation differences	(1,159)
Amortisation	<u>(285)</u>
Closing net book amount at 30 September 2011	<u>43,724</u>

## 10. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	<b>Unaudited</b> <b>30 September</b> <b>2011</b> <b>HK\$'000</b>	Audited 31 March 2011 HK\$'000
Trade receivables — net of provision	1,256,089	1,080,041
Other receivables, deposits and prepayments	<u>319,198</u>	<u>351,209</u>
	<u><b>1,575,287</b></u>	<u><b>1,431,250</b></u>

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

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

The aging analysis of trade receivables is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2011</b> <b>HK\$'000</b>	Audited 31 March 2011 HK\$'000
Current to 60 days	879,271	835,826
61 to 90 days	210,063	156,488
Over 90 days	<u>166,755</u>	<u>87,727</u>
	<u><b>1,256,089</b></u>	<u><b>1,080,041</b></u>

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.

## 11. ACCOUNTS PAYABLE AND ACCRUALS

	<b>Unaudited</b> <b>30 September</b> <b>2011</b> <b>HK\$'000</b>	Audited 31 March 2011 HK\$'000
Trade and bills payables	1,050,657	1,208,880
Accruals and other payables	125,685	153,381
Dividend payable	<u>12,731</u>	<u>—</u>
	<u><b>1,189,073</b></u>	<u><b>1,362,261</b></u>

The carrying values of the gross accounts payable and accruals approximate their fair values.

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

	<b>Unaudited</b> <b>30 September</b> <b>2011</b> <b>HK\$'000</b>	Audited 31 March 2011 HK\$'000
Current to 60 days	577,029	812,794
61 to 90 days	152,478	208,759
Over 90 days	321,150	187,327
	<u>1,050,657</u>	<u>1,208,880</u>

## 12. BORROWINGS

	<b>Unaudited</b> <b>30 September</b> <b>2011</b> <b>HK\$'000</b>	Audited 31 March 2011 HK\$'000
<b>Non-current</b>		
Bank loans — unsecured	633,290	631,700
Bank loans — secured	74,398	89,034
Finance lease liabilities	1,941	252
Total non-current borrowings	<u>709,629</u>	<u>720,986</u>
<b>Current</b>		
Trust receipt loans — unsecured	616,964	600,803
Trust receipt loans — secured	254,848	215,038
	<u>871,812</u>	<u>815,841</u>
Bank loans — unsecured	535,648	478,086
Bank loans — secured	44,941	39,171
Bank overdrafts	1,637	2,641
Finance lease liabilities	778	674
	<u>583,004</u>	<u>520,572</u>
Total current borrowings	<u>1,454,816</u>	<u>1,336,413</u>
<b>Total borrowings</b>	<u>2,164,445</u>	<u>2,057,399</u>



At 30 September 2011, the Group's bank loans, bank overdrafts and trust receipt loans were repayable as follows:

	Bank overdrafts		Bank loans		Trust receipt loans	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	30 September 2011 HK\$'000	31 March 2011 HK\$'000	30 September 2011 HK\$'000	31 March 2011 HK\$'000	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Within one year	1,637	2,641	580,589	517,257	871,812	815,841
In the second year	—	—	319,419	366,191	—	—
In the third to fifth years inclusive	—	—	388,269	354,543	—	—
	<u>1,637</u>	<u>2,641</u>	<u>1,288,277</u>	<u>1,237,991</u>	<u>871,812</u>	<u>815,841</u>

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans ranged from 1.4% to 9.9% per annum (31 March 2011: 1.8% to 9.5% per annum).

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

#### Finance lease liabilities

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	808	717
Later than 1 year but not later than 5 years	1,468	264
After 5 years	518	—
	<u>2,794</u>	<u>981</u>
Future finance charges on finance leases	(75)	(55)
Present value of finance lease liabilities	<u>2,719</u>	<u>926</u>
	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	778	674
Later than 1 year and no later than 5 years	1,433	252
After 5 years	508	—
	<u>2,719</u>	<u>926</u>

The present value of finance lease liabilities is as follows:

Not later than 1 year	778	674
Later than 1 year and no later than 5 years	1,433	252
After 5 years	508	—
	<u>2,719</u>	<u>926</u>

At the balance sheet date, the carrying amounts of finance lease liabilities approximate their fair values.

### 13. SHARE CAPITAL

	Number of shares of HK\$0.10 each		Share capital	
	Unaudited 30 September 2011	Audited 31 March 2011	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 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	<u>1,141,075,827</u>	503,779,117	<u>114,108</u>	50,378
Exercise of bonus warrants	—	726,329	—	73
Issuance of bonus shares	—	<u>636,570,381</u>	—	<u>63,657</u>
At the end of period/year	<u>1,141,075,827</u>	<u>1,141,075,827</u>	<u>114,108</u>	<u>114,108</u>
Convertible non-voting preference shares				
At the beginning and end of period/year	<u>132,064,935</u>	<u>132,064,935</u>	<u>13,207</u>	<u>13,207</u>
Total	<u>1,273,140,762</u>	<u>1,273,140,762</u>	<u>127,315</u>	<u>127,315</u>

The shareholders of the Company adopted a share option scheme to comply with the requirements of Chapter 17 of the Listing Rules. As at 30 September 2011 and 31 March 2011, no share option was granted or outstanding.

### 14. BANK GUARANTEES

As at 30 September 2011, the Company continued to provided corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of such facilities utilised by the subsidiaries as at 30 September 2011 amounted to HK\$2,162,000,000 (31 March 2011: HK\$2,056,000,000).

### 15. COMMITMENTS

#### (a) Capital commitments

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

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Property, plant and equipment		
Contracted but not provided for	<u>356,871</u>	<u>351,935</u>

(b) As at 30 September 2011, the Company had commitment in respect of the injection of capital into certain subsidiaries in the PRC amounted to approximately HK\$93,920,000 (31 March 2011: HK\$93,920,000).

(c) **Operating lease commitments**

The Group leases various warehouses under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate.

As at 30 September 2011, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>Unaudited 30 September 2011 HK\$'000</b>	Audited 31 March 2011 HK\$'000
No later than one year	24,063	17,779
Later than one year and not later than five years	5,202	9,754
Later than five years	2,240	—
	<u>31,505</u>	<u>27,533</u>

(d) **Operating lease receivable**

The Group leases out various warehouses under non-cancellable operating leases agreement. The lease terms are between one and four years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	<b>Unaudited 30 September 2011 HK\$'000</b>	Audited 31 March 2011 HK\$'000
No later than one year	6,032	7,214
Later than one year and not later than five years	9,805	12,074
	<u>15,837</u>	<u>19,288</u>

**16. CHARGE OF ASSETS**

As at 30 September 2011, trust receipt loans of HK\$254,848,000 (31 March 2011: HK\$215,038,000) and bank loans of HK\$119,339,000 (31 March 2011: HK\$128,205,000) were secured by legal charges on the Group's land and building and investment properties aggregate net book amount of approximately HK\$289,218,000 (31 March 2011: HK\$291,443,000).

## 17. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Unaudited	
	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
(a) Purchase of merchandise from a related company	<u>203,872</u>	<u>—</u>

The above transactions were conducted at negotiated prices between transacting parties.

	Unaudited	
	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
(b) Payables to a related company	<u>78,168</u>	<u>—</u>

The above transactions were conducted at negotiated prices between transacting parties.

	Unaudited	
	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
(c) Key management compensation		
Key management compensation	<u>6,588</u>	<u>6,452</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Economy Overview

During the period under review, the economic growth in the Hong Kong Special Administrative Region (“Hong Kong”) and the People’s Republic of China (the “PRC”) continued to boom. In the PRC market, the gross domestic product (“GDP”) growth rate was 9.4% during the first three quarters of 2011. According to the International Monetary Fund (“IMF”), the vibrant investment sentiment will continue to fuel rapid economic growth in the PRC. China will become the main engine for the world’s economic growth. It is expected that China’s real GDP growth rate on a year-round basis will reach 9.5%. Meanwhile, in Hong Kong, the real GDP growth rate in the first three quarters of 2011 was 4.6%, and the annual growth is anticipated to reach 5.9%. Stable performance was achieved.

Although Hong Kong and China showed stable economic performance during the period under review, the global market is facing a number of uncertainties, which include a slowdown in investment along with the credit crunch policy put forward by the PRC government, a brief interruption in the manufacturing supply chain as a result of the earthquake and the nuclear radiation crisis in Japan in March this year, the debt crisis threat in Europe is remained unsolved, as well as heightened concerns about the global double-dip economic recession. Given this scenario, market sentiment has become increasingly cautious and heavy pressure was imposed on the business activities of various industries.

### Printing and Paper Industry

Amid this challenging business landscape, customers were more cautious in procurement and reduced stocks in their daily operation. This further depressed the demand for paper products. In book printing paper sector, during the period under review, with the commission and production of large-scale paper manufacturing machines in a number of paper mills in the PRC, confidence in the market was weakened. Under this imbalance supply and demand situation, prices of book printing papers and packaging boards became softer in the second quarter during the period under review. Under the situation of tightening monetary policy in the PRC and cautious market sentiment, the growth in demand was slowed down, particularly in the book printing paper sector. This led to intensified market competition. Some of the peer competitors attempted to maintain their market share at the expense of profit margins. As such, margin and profitability of the Group’s paper trading business were both under pressure.

### Operations Review

#### *Financial Performance*

For the six months ended 30 September 2011, against the backdrop of tough operating environment, the Group registered a growth in both turnover and profit attributable to shareholders. Thanks to the adoption of flexible sales strategy, extensive sales network and strong growth in paper manufacturing business, our turnover rose by 16.2% from HK\$2,303,948,000 in the same period last year to HK\$2,676,451,000. Profit attributable to shareholders was HK\$40,479,000, which had an increase of 16.7% over last year’s HK\$34,701,000. During the period under review, the gross margin for the Group’s paper trading business was put under pressure by a short-term surge in the domestic paper supply, which has not yet been timely digested by the market. However, as the Group’s paper mill in Shandong, the PRC generated greater sales contribution during the period under review, and profits from paper manufacturing business were generally higher than those from paper trading business, the gross margin impact was partially offset. Accordingly, the Group’s overall gross profit margin was maintained at 9.9%, whereas net profit margin was maintained at 1.5%, which was a level similar to the same period last year. Earnings per share rose by 6.2% to 3.4 cents (2010/2011: 3.2 cents).

The Group has always made unwavering efforts to put stringent cost control measures in place. These efforts have been fully reflected in the period under review. The Group streamlined processes to improve operational efficiency. Our management also endeavoured to prudently predict inventory requirements at the beginning of the year, with a view to maintain the inventory to appropriate levels. Although the Group accelerated the pace of development last year by adding a third production line in a domestic mill and six sales offices, the Group's inventory level was maintained at HK\$818,277,000, which remained comparable to the previous financial year-end. On the other hand, in response to higher borrowing costs along with the domestic tightening credit policies, the Group reduced the level of cash on hand to HK\$661,307,000 (31 March 2011: HK\$834,982,000) in order to optimize the use of cash on hand and reduce interest expenditures. In addition, the increase in the level of accounts receivable to HK\$1,256,089,000 was driven by the prominent business performance. However, the turnover days for the Group's accounts receivable maintained at 81 days, thereby further reducing credit risk and raising working capital. The above facts have illustrated that the Group continued to maintain a healthy financial position.

By business segment, paper trading, paper manufacturing and other business accounted for 77.2%, 20.7% and 2.1% of the Group's total turnover respectively.

#### *Paper Business*

The Group has actively consolidated its distribution network during the review period, so as to enhance the effectiveness of the existing sales offices. With these efforts, coupled with increased contribution from our paper manufacturing business, the turnover from our paper business grew by 16.4% from HK\$2,249,248,000 in the same period last year to HK\$2,619,087,000. Operating profit amounted to HK\$95,859,000, representing an increase of 31.7% when compared to HK\$72,802,000 in the same period last year. Sales volume soared by 25.8% to 459,764 tonnes over the same period last year.

Capitalizing on the smooth operation of the Group's paper mill in Zaozhuang City, Shandong Province, the PRC, the Group has extended its business reach in China. Therefore, China will continue to be the most important market for the Group, accounting for 62.8% of the total turnover. Hong Kong and other markets accounted for about 28.7% and 8.5% of the Group's total turnover.

#### *Paper Trading Business*

The Group is proud of owning an extensive sales network in the PRC. This presence will be considerably conducive to our paper trading business. During the period under review. The segment achieved satisfactory results with turnover increased by 2.1% from HK\$2,021,894,000 in the same period last year to HK\$2,064,254,000. Sales tonnage increased by 7.4% to 327,165 tonnes. The Group has been actively expanding the number of sales offices over the past few years, and has now built an extensive network, with a coverage stretching across more than 20 cities in the PRC. In this light, the Group devoted great endeavours to foster the development of regional sales offices during the period under review in order to further boost operational efficiency.

### *Paper Manufacturing Business*

Paper manufacturing business continues to be the main growth driver for the Group. With the full reflection of the contribution from the Group's paper mill during the period under review following the formal commission of the third production line (PM5) in February 2011, the annual production capacity of the Group's paper manufacturing operations increased by over a double from 170,000 tonnes to 370,000 tonnes. Invigorated by this additional capacity, the turnover from this business line increased by 1.25 times to HK\$717,062,000 after taking into account of the inter-company sales. Based on the sales volume, this figure represented a growth of 117.6% over the same period last year. Despite rising raw material costs, however, benefitted from enhanced operational efficiency, operating profit grew by 139.6% over the same period last year to HK\$48,202,000. Operating profit margin was 8.7%. As the market demand for the paper products remained robust during the review period, the utilization rate of the production lines of the Group's mill in Shandong was maintained at a desired level.

### *Other Business*

The Group's aeronautic parts and services business as well as marine services business recorded a turnover of HK\$ 21,862,000 and HK\$ 31,052,000 respectively in the period under review.

### **Prospects**

There was a significant increase in the domestic supply of paper products in the past few months. However, the new addition of supply has not yet been fully absorbed by the market demand. Against this background, given that the domestic economy is blessed with an outlook that is more optimistic than other Western countries, the Group believes that these impacts will merely linger for a short term. In the long run, a balance can be struck between paper supply and demand. The paper industry can thus sustain positive development.

To flexibly keep ahead of the developments in the macro-economic environment, the Group will strive to make itself well-positioned to enhance its own strengths. In fact, the cost and financial control measures exercised by the Group have been proved to be effective. This is an indication of the adequate execution capacity of the Group. Looking ahead, the Group will further tighten customer credit in order to further reduce the turnover days of accounts receivable, and will use cash on hand even more efficiently. Also, we will offer high value-added services for quality customers to reduce credit risk. The Group believes that the said targeted measures will help the Group meet different challenges in the future.

Leveraging on the widespread distribution network built by the Group over the years, together with the synergies of the paper manufacturing business, a solid foundation has been laid for the Group's business. The Group will adopt a flexible business development strategy. We will continue to enhance our competitive edges and capture each and every opportunity for promoting our development, with a vision to deliver the best return for our shareholders.

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.5 cent (2010: HK1 cent) per share for the six months ended 30 September 2011, which is comparable to the same period last year's HK1 cent prior to the issuance of one-for-one bonus share. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 6 January 2012. The interim dividend will be paid on or about 16 January 2012.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 January 2012 to 6 January 2012 (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 3 January 2012.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group employed 1,861 staff members, 135 of whom are based in Hong Kong and 1,459 are based in the PRC and 267 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 30 September 2011, short term deposits plus bank balances amounted to HK\$661 million (including restricted bank deposits of HK\$127 million) and bank borrowings amounted to HK\$2,162 million.

As at 30 September 2011, the Group's gearing ratio was 54.4% (31 March 2011: 50.0%), calculated as net debt divided by total capital. Net debt of HK\$1,503 million is calculated as total borrowings of HK\$2,164 million (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK\$661 million. Total capital is calculated as total equity of HK\$1,262 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.15 times (31 March 2011: 1.15 times).

With bank balances and other current assets of approximately HK\$3,066 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 transaction currencies are principally denominated in Renminbi, United States dollars and Hong Kong dollars. The Group hedged its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 30 September 2011, bank borrowings in Renminbi amounted to HK\$401 million (31 March 2011: HK\$411 million). The remaining borrowings are mainly in Hong Kong dollars. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. As at 30 September 2011, the Group has HK\$20 million interest rate swap contracts (31 March 2011: Nil).

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

As at 30 September 2011, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and 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") are 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	128,459,688	688,533,247 (note)	33,425,112	850,418,047	74.53%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	1,145,112	32,280,000	816,992,935	850,418,047	74.53%
Mr. CHOW Wing Yuen	Beneficial owner	1,080,000	—	—	1,080,000	0.09%

#### 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%

Notes: The 688,533,247 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 2011, none of the Directors and chief executives of the Company had any interests or short positions 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 2011, 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

- i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;
- ii) 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
- iii) 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 2011, 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 are as follows:

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

Name of shareholder	Number of ordinary shares	Percentage
Quinselle Holdings Limited (Note)	688,533,247	60.34%

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

Name of shareholder	Number of CP shares	Percentage
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 is 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 2011.

## CONTINGENT LIABILITIES

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of facilities utilized by the subsidiaries as at 30 September 2011 amounted to HK\$2,162 million (31 March 2011: HK\$2,056 million).

## CHARGE OF ASSETS

As at 30 September 2011, trust receipt loans of HK\$255 million (31 March 2011: HK\$215 million) and bank loans of HK\$119 million (31 March 2011: HK\$128 million) 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 2011 before it was tabled for the Board's approval.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2011, 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 2011 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, 28 November 2011