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Samson group

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**Samson Paper Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

Interim Report **2012/2013**

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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 2012 together with comparative figures for the corresponding period in 2011, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2012 with audited comparative figures as at 31 March 2012. The unaudited condensed consolidated interim financial statements have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited	
		Six months ended 30 September	
		2012	2011
		HK\$'000	HK\$'000
Revenue	3	2,419,228	2,676,451
Cost of sales		<u>(2,201,700)</u>	<u>(2,410,586)</u>
Gross profit		217,528	265,865
Other gains and income, net		42,155	11,402
Selling expenses		(86,404)	(94,220)
Administrative expenses		(95,190)	(87,966)
Other operating expenses		<u>(2,690)</u>	<u>(2,332)</u>
Operating profit	4	75,399	92,749
Finance costs		<u>(42,593)</u>	<u>(41,533)</u>
Profit before taxation		32,806	51,216
Taxation	5	<u>(6,593)</u>	<u>(10,547)</u>
Profit for the period		<u>26,213</u>	<u>40,669</u>
Attributable to:			
Owners of the Company		25,287	40,479
Non-controlling interests		<u>926</u>	<u>190</u>
		<u>26,213</u>	<u>40,669</u>
Earnings per share			
— Basic	6	<u>HK2.1 cents</u>	<u>HK3.4 cents</u>
— Diluted	6	<u>HK2.0 cents</u>	<u>HK3.2 cents</u>
Interim dividend per share		<u>HK0.4 cent</u>	<u>HK0.5 cent</u>
Interim dividends	7	<u>5,092</u>	<u>6,366</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>26,213</b>	<b>40,669</b>
<b>Other comprehensive income</b>		
Currency translation differences	<u>2,170</u>	<u>11,862</u>
<b>Other comprehensive income for the period, net of tax</b>	<u><b>2,170</b></u>	<u><b>11,862</b></u>
<b>Total comprehensive income for the period</b>	<u><b>28,383</b></u>	<u><b>52,531</b></u>
<b>Total comprehensive income attributable to:</b>		
— Owners of the Company	<b>27,458</b>	<b>52,666</b>
— Non-controlling interests	<u><b>925</b></u>	<u><b>(135)</b></u>
<b>Total comprehensive income for the period</b>	<u><u><b>28,383</b></u></u>	<u><u><b>52,531</b></u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2012

		<b>Unaudited 30 September 2012 HK\$'000</b>	Audited 31 March 2012 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	8	1,650,435	1,521,326
Prepaid premium for land leases	8	157,294	159,762
Investment properties		188,301	165,997
Intangible assets	9	48,434	44,653
Available-for-sale financial assets		5,259	5,258
Non-current deposit		15,388	15,400
Deferred tax assets		4,855	4,940
		<u>2,069,966</u>	<u>1,917,336</u>
Current assets			
Inventories		697,011	706,662
Accounts receivable, deposits and prepayments	10	1,854,954	1,630,971
Financial assets at fair value through profit or loss		3,615	2,673
Taxation recoverable		3,838	3,014
Restricted bank deposits		142,879	174,446
Bank balances and cash		590,172	765,045
		<u>3,292,469</u>	<u>3,282,811</u>
Non-current asset held for sale		<u>76,000</u>	<u>76,000</u>
		<u>3,368,469</u>	<u>3,358,811</u>
Current liabilities			
Accounts payable and other payables	11	1,527,702	1,326,672
Trust receipt loans	12	765,431	839,292
Taxation payable		15,678	15,158
Derivative financial instruments		975	795
Borrowings	12	626,169	749,286
		<u>2,935,955</u>	<u>2,931,203</u>
Net current assets		<u>432,514</u>	<u>427,608</u>
Total assets less current liabilities		<u>2,502,480</u>	<u>2,344,944</u>
Equity			
Equity attributable to owners of the Company			
Share capital	13	127,315	127,315
Reserves		1,405,015	1,382,649
Proposed dividend		5,092	12,477
		<u>1,410,107</u>	<u>1,395,126</u>
		<u>1,537,422</u>	<u>1,522,441</u>
Non-controlling interests		<u>105,726</u>	<u>104,801</u>
Total equity		<u>1,643,148</u>	<u>1,627,242</u>
Non-current liabilities			
Accounts payable	11	51,591	73,869
Borrowings	12	723,222	559,375
Deferred tax liabilities	14	84,519	84,458
		<u>859,332</u>	<u>717,702</u>
		<u>2,502,480</u>	<u>2,344,944</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(27,639)	(251,633)
Net cash outflow from investing activities	(151,255)	(35,107)
Net cash (outflow)/inflow from financing activities	(1,476)	133,029
Net decrease in cash and cash equivalents	(180,370)	(153,711)
Cash and cash equivalents at 1 April	763,675	680,083
Effect of change in exchange rate on cash and cash equivalents	5,585	6,018
Cash and cash equivalents at 30 September	<u>588,890</u>	<u>532,390</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	590,172	534,027
Bank overdrafts	(1,282)	(1,637)
	<u>588,890</u>	<u>532,390</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Unaudited Attributable to owners of the Company				Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
At 1 April 2011, as previously reported	127,315	448,242	636,584	1,212,141	10,144	1,222,285
Change in accounting policy — Adoption of HKAS 12 amendment	—	—	8,055	8,055	—	8,055
At 1 April 2011, as restated	127,315	448,242	644,639	1,220,196	10,144	1,230,340
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
Transactions with owners						
2010–2011 final dividend payable	—	—	(12,731)	(12,731)	—	(12,731)
Proposed 2011–2012 interim dividend	127,315	460,429	666,021	1,253,765	10,009	1,263,774
	—	—	6,366	6,366	—	6,366
At 30 September 2011	127,315	460,429	672,387	1,260,131	10,009	1,270,140
At 1 April 2012, as previously reported	127,315	712,874	671,688	1,511,877	104,801	1,616,678
Change in accounting policy — Adoption of HKAS 12 amendment	—	—	10,564	10,564	—	10,564
At 1 April 2012, as restated	127,315	712,874	682,252	1,522,441	104,801	1,627,242
Comprehensive income						
Profit for the period	—	—	25,287	25,287	926	26,213
Other comprehensive income						
Currency translation differences	—	2,171	—	2,171	(1)	2,170
Total comprehensive income	—	2,171	25,287	27,458	925	28,383
Transactions with owners						
2011–2012 final dividend payable	—	—	(12,477)	(12,477)	—	(12,477)
Proposed 2012–2013 interim dividend	127,315	715,045	689,970	1,532,330	105,726	1,638,056
	—	—	5,092	5,092	—	5,092
At 30 September 2012	127,315	715,045	695,062	1,537,422	105,726	1,643,148

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 23 November 2012.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts for the six months ended 30 September 2012 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 ("HKICPA").

These unaudited condensed consolidated interim accounts should be read in conjunction with the annual consolidated accounts for the year ended 31 March 2012, 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 2012, 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 2012 and adopted by the Group:

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended 30 September 2012 and the effects of adoption are disclosed as follows:

The Group has investment properties measured at their fair values totalling HK\$165,997,000 as of 1 April 2012. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures have been restated to reflect the change in accounting policy, as summarised below:

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### Effect on condensed consolidated balance sheet

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Decrease in deferred tax liabilities	14,244	10,564
Increase in retained earnings	<u>14,244</u>	<u>10,564</u>

### Effect on condensed consolidated profit and loss account

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Decrease in taxation	3,680	—
Increase in net profit attributable to owners of the Company	3,680	—
Increase in basic earnings per share ("EPS")	HK0.3 cent	—
Increase in diluted EPS	<u>HK0.3 cent</u>	<u>—</u>

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted:

	Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	1 July 2012
HKAS 19 (Amendment)	1 January 2013
HKAS 27 (Revised 2011)	1 January 2013
HKAS 28 (Revised 2011)	1 January 2013
HKAS 32 (Amendment)	1 January 2014
HKFRS 7 (Amendment)	1 January 2013
	— Offsetting financial assets and liabilities
HKFRS 7 and HKFRS 9 (Amendment)	1 January 2015
HKFRS 9	1 January 2015
HKFRS 10	1 January 2013
HKFRS 11	1 January 2013
HKFRS 12	1 January 2013
HKFRS 13	1 January 2013
HK (IFRIC) — Int 20	1 January 2013
	Stripping costs in the production phase of a surface mine
Fourth annual improvement project	1 January 2013
	Improvements to HKFRS published in June 2012



### 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 at 30 September 2012, 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 2012 and as at 30 September 2012 are as follows:

	Unaudited			
	Six months ended 30 September 2012			
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
<b>SEGMENT RESULTS</b>				
Total segment revenue	2,175,788	390,193	68,210	2,634,191
Inter-segment revenue	<u>(80,632)</u>	<u>(132,174)</u>	<u>(2,157)</u>	<u>(214,963)</u>
<b>Revenue from external customers</b>	<b><u>2,095,156</u></b>	<b><u>258,019</u></b>	<b><u>66,053</u></b>	<b><u>2,419,228</u></b>
Reportable segment results	57,459	17,907	5,060	80,426
Corporate expenses				<u>(5,027)</u>
Operating profit				75,399
Finance costs				<u>(42,593)</u>
<b>Profit before taxation</b>				<b>32,806</b>
Taxation				<u>(6,593)</u>
<b>Profit for the period</b>				<b><u>26,213</u></b>
<b>OTHER PROFIT AND LOSS ITEMS</b>				
Depreciation	<u>5,175</u>	<u>16,831</u>	<u>4,195</u>	<u>26,201</u>
Amortisation charges	<u>722</u>	<u>1,696</u>	<u>36</u>	<u>2,454</u>

### 3. SEGMENT INFORMATION (CONTINUED)

	Unaudited As at 30 September 2012			
	Paper			Total HK\$'000
	Paper trading HK\$'000	manufacturing HK\$'000	Others HK\$'000	
<b>SEGMENT ASSETS</b>				
Reportable segment assets	3,165,121	2,093,863	169,644	5,428,628
Taxation recoverable				3,838
Deferred tax assets				4,855
Corporate assets				1,114
Total assets				<u>5,438,435</u>

The segment information for the six months ended 30 September 2011 and as at 31 March 2012 are as follows:

	Unaudited Six months ended 30 September 2011			
	Paper			Total HK\$'000
	Paper trading HK\$'000	manufacturing HK\$'000	Others 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>

### 3. SEGMENT INFORMATION (CONTINUED)

	Audited			
	As at 31 March 2012			
	Paper trading	Paper manufacturing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>SEGMENT ASSETS</b>				
Reportable segment assets	3,198,780	1,901,982	167,350	5,268,112
Taxation recoverable				3,014
Deferred tax assets				4,940
Corporate assets				81
Total assets				<u>5,276,147</u>

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:

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong	617,600	751,492
The PRC ( <i>note</i> )	1,503,199	1,648,455
Singapore	61,874	52,914
Korea	203,155	192,187
Malaysia	31,350	31,403
USA	2,050	—
	<u>2,419,228</u>	<u>2,676,451</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:

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Crediting		
Fair value gain on investment properties	22,304	—
Interest income	9,482	4,607
Provision for impairment on receivables written back	1,365	285
	<u>22,304</u>	<u>4,892</u>
Charging		
Depreciation of property, plant and equipment	26,201	27,114
Amortisation of prepaid premium for land leases	2,140	287
Amortisation of intangible assets	314	285
Provision for impairment on inventories	4,188	2,279
Provision for impairment on receivables	3,318	2,558
	<u>33,959</u>	<u>32,523</u>

#### 5. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 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	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong profits tax	1,872	1,495
Overseas taxation	4,575	4,386
Deferred taxation relating to origination and reversal of temporary differences	146	4,666
	<u>6,593</u>	<u>10,547</u>



## 6. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK\$1,294,000 (2011: HK\$1,321,000) by the weighted average number of 1,141,075,827 (2011: 1,141,075,827) ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	2012	2011
Profit attributable to owners of the Company less preference dividend (HK\$'000)	<u>23,993</u>	<u>39,158</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,141,076</u>	<u>1,141,076</u>
Basic earnings per share	<u><b>HK2.1 cents</b></u>	<u>HK3.4 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 (2011: Nil) has been granted under the scheme.

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	2012	2011
Profit attributable to owners of the Company (HK\$'000)	<u>25,287</u>	<u>40,479</u>
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustments for:		
— Assumed conversion of preference shares ('000)	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share ('000)	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u><b>HK2.0 cents</b></u>	<u>HK3.2 cents</u>

## 7. INTERIM DIVIDENDS

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	2012	2011
	HK\$'000	HK\$'000
Proposed — HK\$0.004 (2011: HK\$0.005) per ordinary share	4,564	5,706
Proposed — HK\$0.004 (2011: HK\$0.005) per preference share	<u>528</u>	<u>660</u>
	<u><b>5,092</b></u>	<u>6,366</u>

At a meeting held on 23 November 2012, the Directors proposed an interim dividend of HK\$0.004 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 2013.

## 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 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)	—
Closing net book amount at 30 September 2011	<u>1,096,711</u>	<u>42,836</u>	<u>261,928</u>
<b>Six months ended 30 September 2012</b>			
Opening net book amount at 1 April 2012	1,194,666	159,762	326,660
Currency translation differences	97	(118)	757
Additions	23,842	—	137,165
Disposals	(2,520)	—	—
Depreciation and amortisation	(30,232)	(2,350)	—
Closing net book amount at 30 September 2012	<u>1,185,853</u>	<u>157,294</u>	<u>464,582</u>

## 9. INTANGIBLE ASSETS

	Unaudited <i>HK\$'000</i>
<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>
<b>Six months ended 30 September 2012</b>	
Opening net book amount at 1 April 2012	44,653
Currency translation differences	974
Additions	3,121
Amortisation	<u>(314)</u>
Closing net book amount at 30 September 2012	<u>48,434</u>

## 10. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Trade receivables — net of provision	1,191,928	1,088,457
Other receivables, deposits and prepayments	<u>663,026</u>	<u>542,514</u>
	<u><b>1,854,954</b></u>	<u><b>1,630,971</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:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Current to 60 days	876,954	771,218
61 to 90 days	188,559	132,868
Over 90 days	<u>126,415</u>	<u>184,371</u>
	<u><b>1,191,928</b></u>	<u><b>1,088,457</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 OTHER PAYABLES

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Trade and bills payables	1,275,504	1,167,892
Accruals and other payables	291,312	232,649
Dividend payable	<u>12,477</u>	<u>—</u>
	<b>1,579,293</b>	<b>1,400,541</b>
Less: non-current portions:		
Accounts payable	<u>(51,591)</u>	<u>(73,869)</u>
	<u><b>1,527,702</b></u>	<u><b>1,326,672</b></u>

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

## 11. ACCOUNTS PAYABLE AND OTHER PAYABLES (CONTINUED)

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

	<b>Unaudited</b> <b>30 September</b> <b>2012</b> <b>HK\$'000</b>	Audited 31 March 2012 HK\$'000
Current to 60 days	881,456	900,106
61 to 90 days	157,755	170,658
Over 90 days	<u>236,293</u>	<u>97,128</u>
	<u><b>1,275,504</b></u>	<u><b>1,167,892</b></u>

## 12. BORROWINGS

	<b>Unaudited</b> <b>30 September</b> <b>2012</b> <b>HK\$'000</b>	Audited 31 March 2012 HK\$'000
<b>Non-current</b>		
Bank loans — unsecured	676,010	497,500
Bank loans — secured (note 17)	45,389	59,916
Finance lease liabilities	<u>1,823</u>	<u>1,959</u>
Total non-current borrowings	<u><b>723,222</b></u>	<u><b>559,375</b></u>
<b>Current</b>		
Trust receipt loans — unsecured	569,868	559,732
Trust receipt loans — secured (note 17)	<u>195,563</u>	<u>279,560</u>
	<u><b>765,431</b></u>	<u><b>839,292</b></u>
Bank loans — unsecured	595,311	711,312
Bank loans — secured (note 17)	29,135	35,946
Bank overdrafts	1,282	1,370
Finance lease liabilities	<u>441</u>	<u>658</u>
	<u><b>626,169</b></u>	<u><b>749,286</b></u>
Total current borrowings	<u><b>1,391,600</b></u>	<u><b>1,588,578</b></u>
<b>Total borrowings</b>	<u><b>2,114,822</b></u>	<u><b>2,147,953</b></u>



## 12. BORROWINGS (CONTINUED)

The Group's bank loans, overdrafts and trust receipt loans were repayable as follows:

	Bank overdrafts		Bank loans		Trust receipt loans	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	30 September 2012 HK\$'000	31 March 2012 HK\$'000	30 September 2012 HK\$'000	31 March 2012 HK\$'000	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within one year	1,282	1,370	624,446	747,258	765,431	839,292
In the second year	—	—	207,895	341,277	—	—
In the third to fifth years inclusive	—	—	513,504	216,139	—	—
	<u>1,282</u>	<u>1,370</u>	<u>1,345,845</u>	<u>1,304,674</u>	<u>765,431</u>	<u>839,292</u>

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans ranged from 2.1% to 7.9% per annum (31 March 2012: 2.0% to 8.0% per annum).

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

### Finance lease liabilities

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	462	693
Later than 1 year but not later than 5 years	1,660	1,648
After 5 years	218	373
	<u>2,340</u>	<u>2,714</u>
Future finance charges on finance leases	(76)	(97)
Present value of finance lease liabilities	<u>2,264</u>	<u>2,617</u>

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	441	658
Later than 1 year and no later than 5 years	1,610	1,593
After 5 years	213	366
	<u>2,264</u>	<u>2,617</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 2012	Audited 31 March 2012	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
<b>Authorised:</b>				
Ordinary shares				
At beginning and end of the 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 beginning and end of the 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 beginning and end of the 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 beginning and end of the 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 2012 and 31 March 2012, no share option was granted or outstanding.

### 14. DEFERRED TAX LIABILITIES

	Unaudited 30 September 2012 HK\$'000	Unaudited 30 September 2011 HK\$'000
At 1 April, as previously reported	95,022	52,351
Adoption of HKAS12 amendment (note 2)	<u>(10,564)</u>	<u>(8,055)</u>
At 1 April, as restated	84,458	44,286
Charge to profit or loss	<u>61</u>	<u>—</u>
Closing balance at 30 September	<u>84,519</u>	<u>44,286</u>

### 15. BANK GUARANTEES

As at 30 September 2012, the Company continued to provide 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 2012 amounted to HK\$2,115,000,000 (31 March 2012: HK\$2,148,000,000).

## 16. COMMITMENTS

### (a) Capital commitments

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

	<b>Unaudited 30 September 2012 HK\$'000</b>	Audited 31 March 2012 HK\$'000
Property, plant and equipment Contracted but not provided for	<u>202,071</u>	<u>217,333</u>

- (b) As at 30 September 2012, the Company had commitment in respect of the injection of capital into certain subsidiaries in the PRC amounted to approximately HK\$15,102,000 (31 March 2012: 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.

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

	<b>Unaudited 30 September 2012 HK\$'000</b>	Audited 31 March 2012 HK\$'000
No later than one year	23,743	15,747
Later than one year and not later than five years	29,160	7,223
Later than five years	<u>2,235</u>	<u>2,259</u>
	<u>55,138</u>	<u>25,229</u>

### (d) Operating lease receivable

The Group leases out various warehouses under non-cancellable operating leases agreements. 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 2012 HK\$'000</b>	Audited 31 March 2012 HK\$'000
No later than one year	4,317	4,152
Later than one year and not later than five years	<u>6,037</u>	<u>7,921</u>
	<u>10,354</u>	<u>12,073</u>

## 17. CHARGE OF ASSETS

As at 30 September 2012, trust receipt loans of HK\$195,563,000 (31 March 2012: HK\$279,560,000) and bank loans of HK\$74,524,000 (31 March 2012: HK\$95,862,000) were secured by legal charges on the Group's land and building and investment properties with aggregate net book amount of approximately HK\$252,611,000 (31 March 2012: HK\$231,570,000) and non-current asset held for sale with aggregate net book amount of nil (31 March 2012: HK\$76,000,000).

## 18. 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	
	2012	2011
	HK\$'000	HK\$'000
(a) Purchase of merchandise from a related company	<u>168,969</u>	<u>203,872</u>

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

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
(b) Payables to a related company	<u>91,505</u>	<u>78,168</u>

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

	Unaudited	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
(c) Key management compensation		
Key management compensation	<u>6,778</u>	<u>6,588</u>

### The Economy

During the review period, the economic conditions in Hong Kong and China remained unstable as both areas were impacted by a lackluster global economy — principally the result of the sovereign debt crisis in Europe and modest economic growth in the United States.

The mainland economy grew by 7.4% in the third quarter of 2012, down from 7.6% in the previous quarter, marking the lowest growth rate since early 2009. With respect to China's gross domestic product ("GDP"), a year-on-year increase of 7.7% was recorded for the first three quarters of 2012, reaching RMB35.35 trillion.

Over the past three decades, China's economy has grown at an average of approximately 10.0% per year, enabling it to overtake many developed countries to become the second largest economy in the world. However, in the last quarter, the economy slowed more than expected as weak consumption sentiment in Europe and the United States curbed demand for goods manufactured in China.

In Hong Kong, the economy experienced a modest growth, with real GDP in the third quarter of 2012 up by 1.3% over the preceding year, similar to the 1.2% pace in the second quarter. Exports remained weak in the face of the same sluggish global economic conditions that affected the motherland.

### The Paper Industry

Against the stagnant market situation, customers were more cautious in procurement and tended to keep less stock for their operation and this further led to weaker demand for paper products. Startup of new paper machines in the PRC during the period further dampened market confidence in the sector. Under the imbalance of supply and demand, prices of book printing paper and packaging board decreased in the range of 10% as compared to those in the beginning of the period. However, the decreasing price trend has been stabilized in the fourth quarter of the year when the economy in the PRC appeared to have bottomed out.

The slowdown in demand growth as a result of the tight monetary policy and the feeble consumer confidence has caused competition to intensify, with competitors, especially in the paper manufacturing sector with new capacities coming on board sacrificing margins to maintain market share and liquidity position.

Under the tight monetary supply situation in the PRC, the liquidity of customers was seriously affected and the risk of credit default became much higher for those customers in a weak financial position.

## Overview of Operations

### *Financial Performance*

Facing a surge in supply, deteriorating demand and high credit risk exposure from customers, the Group strategically shifted its focus to serving quality customers instead of just aiming for turnover growth. As a result, the Group's turnover decreased by 9.6% year on year from HK\$2,676,000,000 to HK\$2,419,000,000.

To further combat the poor market conditions, the Group adopted stringent cost and risk control measures, which acted as a first line of defense for protecting the Group's profitability. Profit attributable to the owners of the Company was recorded at HK\$25,000,000 (2011/12: HK\$40,000,000). Basic earnings per share were HK2.1 cents (2011/12: HK3.4 cents).

The Group has always been committed to controlling costs and minimizing credit risk. With tight monetary supply and more stringent credit policies in China, the management has accumulated an appropriate level of cash and bank balance (including restricted bank deposit), which reached HK\$733,000,000 (31 March 2012: HK\$939,000,000) as at 30 September 2012. This enables the Group to tap its own resources when necessary, lower interest costs and maintain a healthy gearing ratio — currently at approximately 45.7%. In terms of provisions for doubtful debt, it presently represents 0.14% of the Group's total revenue. All of the measures taken also serve to highlight the Group's healthy financial position.

In respect of turnover by business segment, paper trading, paper manufacturing and other businesses accounted for 86.6%, 10.7% and 2.7% of the Group's total turnover respectively.

### *Paper Business*

The Group adopted a conservative sales strategy for paper business, especially for the paper manufacturing business to mitigate the credit risk and the effect of the decreasing price trend. The Group's paper product business reported a decrease of 10.2% in turnover to HK\$2,353,000,000, compared with HK\$2,619,000,000 for the same period last year. Operating profit reached HK\$75,000,000 (2011/12: HK\$96,000,000). In terms of total volume, the Group sold 407,900 metric tonnes of paper products during the review period, compared with 459,800 metric tonnes for the last corresponding period.

The Group's effort to expand its presence in China has achieved notable results. The PRC continues to be the Group's largest market, accounting for 63.7% of total turnover of paper products. Hong Kong — the Group's second largest market — accounted for approximately 26.2% of total paper products sales whereas other Asian markets accounted for the remaining 10.1%.

As at 30 September 2012, the Group has sales offices in 20 cities across the country. While continuously strengthening its presence in China, the Group has also sought to optimize the efficiency of individual offices, and has started to reap the benefits of such effort. Turnover of the paper trading business increased by 1.5% to HK\$2,095,000,000 against HK\$2,064,000,000 for the same period last year with a 3.3% rise in sales tonnage, despite adverse economic conditions.

The shift of focus of the Group to defending profitability and serving quality customers prompted by adverse market conditions brought a decrease of 45.6% in the sales, including inter-segment revenue, of paper products of the paper manufacturing business to HK\$390,000,000 with the sales tonnage declining by 37.9%. As the PRC economy has bottomed out in the fourth quarter of the year, the decreasing price trend and the market situation has stabilised. Operating profit of HK\$18,000,000 was recorded for the period while operating profit margin stood at 6.9%.

## *Other Businesses*

The aeronautic parts and services business and marine services business recorded turnover of HK\$26,000,000 and HK\$36,000,000 respectively during the period under review.

## **Prospects**

Going forward, the management believes that global economies will continue to be restrained by unresolved economic, political and social issues affecting key industrialized nations. Fallout from the debt crisis in Europe and weak economic performance in the US have expectedly affected Asian economies, including Hong Kong where the export outlook has been less promising. However, given that Asian economies generally have better fundamentals than their Western counterparts allowing for greater room to maneuver in terms of stimulus policies, the slowdown in the East is not seen as a long-term issue.

With economic outlook remaining unclear, the management believes that taking a cautious yet farsighted approach towards business development will be essential. In terms of the paper trading business, the Group will focus on further growing a regional sales offices network. This will not only stimulate the paper trading business leading to greater sales for the Group's paper products, but also benefit the manufacturing business over the long term.

To enhance the profitability in the paper manufacturing business, the Group will continue to optimize the productivity and energy usage of the machinery and develop its production lines to turn out a broader range of products, which include higher-margin items. Aside from the prudent management of the core businesses, the Group will also continue to practise safe financial measures, which include conservative cash management and complemented by close control of customer credit. The management is convinced that the Group has all necessary attributes to overcome the current economic malaise.

## **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK 0.4 cent (2011: HK 0.5 cent) per share for the six months ended 30 September 2012. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 4 January 2013. The interim dividend will be paid around 16 January 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 2 January 2013 to 4 January 2013 (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 31 December 2012.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2012, the Group employed 1,782 staff members, 127 of whom are based in Hong Kong and 1,320 are based in the PRC and 335 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 2012, short term deposits plus bank balances amounted to HK\$733 million (including restricted bank deposits of HK\$143 million) and bank borrowings amounted to HK\$2,115 million.

As at 30 September 2012, the Group's gearing ratio was 45.7% (31 March 2012: 42.8%), calculated as net debt divided by total capital. Net debt of HK\$1,382 million is calculated as total borrowings of HK\$2,115 million (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK\$733 million. Total capital is calculated as total equity of HK\$1,643 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.15 times (31 March 2012: 1.15 times).

With bank balances and other current assets of approximately HK\$3,368 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 2012, bank borrowings in Renminbi amounted to HK\$468 million (31 March 2012: HK\$439 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 2012, the Group has HK\$20 million interest rate swap contracts (31 March 2012: HK\$20 million).



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

As at 30 September 2012, 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 <i>(note)</i>	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 <i>(note)</i>	—	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 2012, 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 2012, 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 2012, 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**

<b>Name of shareholder</b>	<b>Number of ordinary shares</b>	<b>Percentage</b>
Quinselle Holdings Limited ( <i>Note</i> )	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 2012.

## 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 2012 amounted to HK\$2,115,000,000 (31 March 2012: HK\$2,148,000,000).

## CHARGE OF ASSETS

As at 30 September 2012, trust receipt loans of HK\$195,563,000 (31 March 2012: HK\$279,560,000) and bank loans of HK\$74,524,000 (31 March 2012: HK\$95,862,000) 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 2012 before it was tabled for the Board's approval.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2012, 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 2012 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, 23 November 2012