

2009/2010

Interim Report



CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)

Stock code : 1196

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lui Shing Ming, Brian (*Chairman*)
Lui Shing Cheong (*Managing Director*)
Lui Shing Chung, Victor

Independent Non-executive Directors

Lam Chun Kong
Lo Wing Man
Ng Lai Man, Carmen

COMPANY SECRETARY

Ong King Keung

SOLICITORS

Jennifer Cheung & Co.
Chiu & Partners

INDEPENDENT AUDITORS

Grant Thornton
Certified Public Accountants
6th Floor
Nexus Building
41 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

4/F., Mai Sik Industrial Building
1-11 Kwai Ting Road
Kwai Chung, New Territories
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited
The Hongkong and Shanghai Banking
Corporation Limited

AUDIT COMMITTEE

Ng Lai Man, Carmen (*Chairman*)
Lam Chun Kong
Lo Wing Man

REMUNERATION COMMITTEE

Lo Wing Man (*Chairman*)
Lam Chun Kong
Ng Lai Man, Carmen
Lui Shing Ming, Brian

STOCK CODE

1196

COMPANY WEB SITE

<http://www.cheongming.com>

INDEPENDENT REVIEW REPORT

Member of Grant Thornton International Ltd

To the Board of Directors of Cheong Ming Investments Limited*(incorporated in Bermuda with limited liability)***Introduction**

We have reviewed the interim financial report set out on pages 4 to 18 which comprise the condensed consolidated statement of financial position of Cheong Ming Investments Limited as of 30 September 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton*Certified Public Accountants*

6th Floor, Nexus Building
41 Connaught Road Central
Hong Kong

2 December 2009

The Board of Directors (the "Board") of Cheong Ming Investments Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue	2	278,316	327,585
Cost of sales		(198,066)	(247,915)
Gross profit		80,250	79,670
Other operating income	5	10,697	4,174
Selling and distribution costs		(7,678)	(13,656)
Administrative expenses		(53,936)	(49,862)
Other operating expenses		(15,744)	(15,043)
Profit from operations	4	13,589	5,283
Finance costs	6	(363)	(1,137)
Profit before income tax		13,226	4,146
Income tax expense	7	(3,631)	(2,681)
Profit for the period		9,595	1,465
Attributable to:			
Equity holders of the Company		9,595	1,465
Earnings per share for profit attributable to the equity holders of the Company during the period	9		
Basic		HK1.58 cents	HK0.24 cent

Details of proposed interim dividend attributable to equity holders for the period are set out in Note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	9,595	1,465
Other comprehensive (loss)/income		
Exchange loss on translation of financial statements of foreign operations	(326)	(113)
Revaluation deficit on leasehold land and buildings	(961)	–
Deferred tax credit arising from revaluation deficit on leasehold land and buildings	240	–
Deferred tax credit arising from tax rate change	–	138
Other comprehensive (loss)/income for the period, net of tax	(1,047)	25
Total comprehensive income for the period	8,548	1,490
Total comprehensive income attributable to equity holders of the Company	8,548	1,490

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	158,989	177,262
Prepaid lease payments		15,471	15,670
Deferred tax assets		1,545	2,385
		176,005	195,317
CURRENT ASSETS			
Inventories		41,762	42,953
Trade receivables	11	138,732	84,541
Prepayments, deposits and other receivables		50,594	12,530
Financial assets at fair value through profit or loss	12	49,819	32,636
Cash and cash equivalents		174,147	181,934
Tax receivable		442	639
		455,496	355,233
CURRENT LIABILITIES			
Trade payables	13	85,288	50,460
Accrued liabilities and other payables		37,541	26,239
Interest-bearing borrowings		36,467	8,000
Tax payable		9,547	7,526
		168,843	92,225
NET CURRENT ASSETS		286,653	263,008
TOTAL ASSETS LESS CURRENT LIABILITIES		462,658	458,325

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at	
		30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		9,750	13,750
Deferred tax liabilities		7,382	7,597
		17,132	21,347
NET ASSETS		445,526	436,978
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	60,916	60,916
Reserves		378,542	376,062
Proposed dividend		6,068	–
TOTAL EQUITY		445,526	436,978

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	8,262	(25,400)
INVESTING ACTIVITIES	(2,190)	20,455
FINANCING ACTIVITIES	(13,580)	18,772
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,508)	13,827
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	181,934	115,620
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(326)	(113)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	174,100	129,334
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash in hand and at banks and security brokerage firms	86,151	54,289
Time deposits	87,996	77,547
Bank overdrafts	174,147	131,836
	(47)	(2,502)
	174,100	129,334

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2009

	Equity attributable to equity holders of the Company								
	Share capital	Share premium account	Contributed surplus	Asset revaluation reserve	Capital reserve	Exchange reserve	Retained profits	Proposed dividend	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	60,916	95,795	34,080	30,894	9,900	(780)	218,720	12,183	461,708
Profit for the period	-	-	-	-	-	-	1,465	-	1,465
Other comprehensive (loss)/income:									
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(113)	-	-	(113)
Deferred tax credit arising from change of tax rate	-	-	-	138	-	-	-	-	138
Total comprehensive income for the period	-	-	-	138	-	(113)	1,465	-	1,490
Reserve realised on disposal of land and buildings	-	-	-	(238)	-	-	238	-	-
Reversal of deferred tax upon disposal of land and buildings	-	-	-	(138)	-	-	138	-	-
Final 2008 dividend paid	-	-	-	-	-	-	-	(12,183)	(12,183)
Interim 2009 dividend (Note 8)	-	-	-	-	-	-	(6,092)	6,092	-
Transactions with equity holders	-	-	-	(376)	-	-	(5,716)	(6,091)	(12,183)
At 30 September 2008 (Unaudited)	60,916	95,795	34,080	30,656	9,900	(893)	214,469	6,092	451,015
At 1 April 2009	60,916	95,795	34,080	31,758	9,900	(1,733)	206,262	-	436,978
Profit for the period	-	-	-	-	-	-	9,595	-	9,595
Other comprehensive (loss)/income:									
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(326)	-	-	(326)
Revaluation deficit on leasehold land and buildings	-	-	-	(961)	-	-	-	-	(961)
Deferred tax credit arising from revaluation deficit on leasehold land and buildings	-	-	-	240	-	-	-	-	240
Total comprehensive income for the period	-	-	-	(721)	-	(326)	9,595	-	8,548
Interim 2010 dividend (Note 8)	-	-	-	-	-	-	(6,068)	6,068	-
Transactions with equity holders	-	-	-	-	-	-	(6,068)	6,068	-
At 30 September 2009 (Unaudited)	60,916	95,795	34,080	31,037	9,900	(2,059)	209,789	6,068	445,526

Notes:

1. Basis of Preparation and Accounting Policies

The interim financial report of the Group has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2009 except that the Group has applied for the first time the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of these new and revised HKFRSs did not result in significant changes in the Group's accounting policies.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange difference on translation of financial statements of foreign operations. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The directors consider the adoption of HKFRS 8 has not changed the identified operating segments and reportable segment information compared to 2009 financial statements. Accordingly, no comparatives have been restated.

2. Revenue

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered arising from the principal activities of the Group during the period after eliminations of all significant intra-group transactions.

3. Segmental information

On adoption of HKFRS 8 *Operating segments*, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major business lines. The Group has identified the following reportable segments:

- (a) the manufacture and sale of paper cartons, packaging boxes and children's novelty books segment produces paper cartons, packaging boxes and children's novelty books for sale principally to manufacturers and publishers of consumer products;
- (b) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags segment produces hangtags, labels, shirt paper boards and plastic bags products for sale principally to manufacturers of consumer products; and
- (c) the commercial printing segment provides financial printing, digital printing and other related services.

The directors consider the adoption of HKFRS 8 has not changed the identified operating segments for the Group compared to 2009 financial statements.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (expenses relating to finance costs, income tax and corporate income and expenses).

Segment assets include all assets with the exception of corporate assets, including bank balances and cash, tax receivable and deferred tax assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Inter-segment sales are charged at prevailing market prices.

3. Segmental information (continued)

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Eliminations		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue:										
Sales to external customers	228,436	274,294	15,051	14,533	34,829	38,758	-	-	278,316	327,585
Intersegment sales	7,809	7,331	-	95	325	2,820	(8,134)	(10,246)	-	-
Total	236,245	281,625	15,051	14,628	35,154	41,578	(8,134)	(10,246)	278,316	327,585
Reportable segment results										
	1,025	3,388	(141)	2,532	4,445	9,365	-	-	5,329	15,285
Interest income										
Fair value gain/(loss) on fair value through profit or loss									1,018	1,949
									7,242	(11,951)
Profit from operations										
Finance costs									(363)	(1,137)
Profit before income tax										
Income tax expense									(3,631)	(2,681)
Profit for the period										
									9,595	1,465

3. Segmental information (continued)

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Eliminations		Consolidated	
	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Reportable segment assets	363,079	297,701	6,579	8,095	35,890	27,160	-	-	405,548	332,956
Corporate assets:										
Financial assets at fair value through profit or loss									49,819	32,636
Others									176,134	184,958
Total assets									631,501	550,550

4. Profit from operations

	For the six months ended 30 September 2009	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit from operations is arrived at after charging/(crediting):		
Amortisation of prepaid lease payments	200	202
Depreciation of property, plant and equipment	6,991	10,828
Staff costs (including directors' emoluments)	57,143	62,388
Provision for slow moving inventories	1,993	-
Write off of property, plant and equipment	9,108	-
Revaluation deficit on leasehold land and buildings	3,403	-
Bad debt expenses	197	-
Allowance for impairment		
– trade receivables	1,043	1,804
– other receivables	-	1,228
Fair value (gain)/loss on financial assets at fair value through profit or loss	(4,295)	10,340
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	(2,947)	1,611

5. Other operating income

	For the six months ended 30 September 2009	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income	1,018	1,949
Exchange gain, net	1,534	-
Dividend income from financial assets at fair value through profit or loss	26	157
Gross rental income from investment properties	-	861
Fair value gain on financial assets through profit or loss	4,295	-
Gain on disposal of property, plant and equipment	-	134
Gain on disposal of financial assets at fair value through profit or loss	2,947	-
Others	877	1,073
Total	10,697	4,174

6. Finance costs

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	363	818
Interest on bank loan not wholly repayable within five years	–	319
	363	1,137

7. Income tax expense

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
The tax charge comprises:		
Current tax – Hong Kong	2,413	2,813
Current tax – overseas	353	33
	2,766	2,846
Deferred tax charge/(credit)	865	(165)
	3,631	2,681

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the six months ended 30 September 2009. Taxes on overseas profits have been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

8. Interim dividends

	For the six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK1 cent		
(2008: HK1 cent) per ordinary share	6,068	6,092

The directors have resolved to declare an interim dividend of HK1 cent per share (2008: HK1 cent per share) for the six months ended 30 September 2009, payable on or before 21 January 2010 to shareholders whose names appear on the Register of Members of the Company on 15 January 2010. The interim dividend proposed after the statement of financial position date has not been recognised as a liability at the statement of financial position date but reflected as an appropriation of retained profits for the period ended 30 September 2009.

9. Earnings per share

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to equity holders of the Company for the period ended 30 September 2009 of approximately HK\$9,595,000 (2008: HK\$1,465,000) of 609,163,826 (2008: 609,163,826) ordinary shares in issue.

No diluted earnings per share has been presented as there had been no dilutive potential shares in both periods of 2009 and 2008.

10. Movement in property, plant and equipment

During the period, the Group spent approximately HK\$1,639,000 on plant and machinery in order to upgrade its manufacturing capacities and approximately HK\$552,000 in furniture, fixtures and office equipment.

11. Trade receivables

	As at	
	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	143,504	90,004
Less: Allowance for impairment of receivables	(4,772)	(5,463)
	<hr/>	<hr/>
Trade receivables – net	138,732	84,541

Trade receivables generally have credit terms of 30 to 90 days (31 March 2009: 30 to 90 days).

At 30 September 2009, the aging analysis of the trade receivables based on invoiced date and net of allowance, is as follows:

	As at	
	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current to 30 days	54,413	34,943
31 to 60 days	37,414	16,065
61 to 90 days	34,062	13,488
Over 90 days	12,843	20,045
	<hr/>	<hr/>
	138,732	84,541

12. Financial assets at fair value through profit or loss

	As at	
	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong unlisted currency notes	7,020	–
Hong Kong unlisted linked notes	6,587	7,276
Hong Kong listed equity investments	2,979	1,183
Hong Kong unlisted debt investments	4,635	4,419
Overseas listed equity investments	1,154	38
Overseas unlisted equity investments	–	1,695
Overseas unlisted debt investments	17,716	6,076
Overseas unlisted linked notes	753	1,414
Overseas unlisted currency notes	8,975	10,535
	<hr/>	<hr/>
	49,819	32,636

13. Trade payables

	As at	
	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade payables	85,288	50,460

At 30 September 2009, the aging analysis of the trade payables based on invoiced date, is as follows:

	As at	
	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current to 30 days	30,137	16,663
31 to 60 days	14,046	11,589
61 to 90 days	14,364	4,709
Over 90 days	26,741	17,499
	85,288	50,460

14. Share capital

	As at	
	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
609,163,826 ordinary shares of HK\$0.10 each	60,916	60,916

15. Banking facilities

At 30 September 2009, general banking facilities available to the Group amounted to HK\$290,400,000 (31 March 2009: HK\$287,900,000). The amount of banking facilities utilised by the Group amounted to HK\$47,070,000 as at 30 September 2009 (31 March 2009: HK\$22,650,000).

At 30 September 2009, certain of the Group's properties amounting to HK\$10,260,000 (31 March 2009: HK\$10,260,000) were pledged to secure general banking facilities granted to the Group.

16. Capital commitments

	As at	
	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Acquisition of property, plant and equipment – contracted for	1,030	8

17. Operating lease commitments

	As at			
	30 September 2009		31 March 2009	
	Land and	Other	Land and	Other
	buildings	assets	buildings	assets
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	7,336	589	7,658	589
In the second to fifth years, inclusive	10,624	1,804	15,574	2,098
After five years	11,640	–	12,032	–
	29,600	2,393	35,264	2,687

18. Events after the statement of financial position date

On 23 July 2009, the board of directors of the Company announced that an offer would be made to repurchase, subject to conditions, up to 100,000,000 of the Company's shares at the offer price of HK\$0.38 per share (the "Offer"). Details of the Offer were stated in an offer document dated 18 September 2009. A total of 2,410,707 shares (the "Repurchased Shares") were repurchased by the Company in October 2009 at a total consideration of approximately HK\$0.92 million. Immediately after the completion of the Offer and cancellation of the Repurchased Shares by the Company, the issued share capital of the Company was reduced to 606,753,119 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activities of the Group continue to be printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, manufacture of children novelty books, commercial printing, manufacture, trading and sale of hangtags, labels and shirt paper boards, financial printing, provision of translation services and assets management businesses.

For the period under review, the Group achieved a turnover of approximately HK\$278.3 million for the six months ended 30 September 2009, representing a decrease of approximately 15.0% from approximately HK\$327.6 million compared with the corresponding period ended 30 September 2008. Gross profit margin of the Group has improved to 28.8% for the period under review from that of corresponding year of 2008 of 24.3%. The Group's profit attributable to equity holders was increased by 554.9% from that of last corresponding period of approximately HK\$1.5 million, to approximately HK\$9.6 million. Such increase was mainly attributable to the net effect of the increase in fair value gain arising from the Group's financial assets during current period and the decrease in segment results generated by three business segments below.

Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children novelty books continued to be the Group's major business. For the period under review, the Group recorded total revenue of approximately HK\$228.4 million from this major business segment, which was decreased by about 16.7% compared to that of last corresponding period of HK\$274.3 million. The segment result from this business segment reduced from last corresponding period of HK\$3.4 million to approximately HK\$1.0 million for the six months ended 30 September 2009. It was caused by the adverse impact from the reduction in turnover due to financial tsunami.

The Group's revenue in the manufacture of hangtags, labels, shirt paper boards and plastic bags sustained steadily at approximately HK\$15.0 million for the period under review from that of the last corresponding year of approximately HK\$14.5 million. The segment result from this business segment was decreased from last corresponding period of HK\$2.5 million profit to approximately HK\$0.1 million loss for the six months ended 30 September 2009. The decrease in segment result but increase in turnover were mainly due to the fact that the Group adopted aggressive strategy to accept lower profit margin orders within this period in this segment.

The Group's business in the commercial printing was adversely affected by the reduction in turnover due to intensive competition, and rise in rental expenses. The revenue and segment result for the six months ended 30 September 2009 was approximately HK\$34.8 million and HK\$4.4 million, respectively as compared to last corresponding period of HK\$38.8 million and HK\$9.4 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (Continued)

Due to the recovery of financial market, the performance of the Group's financial assets recorded a fair value gain of approximately HK\$7.2 million during the period whereas the Group recorded a fair value loss of approximately HK\$12.0 million in last corresponding period.

FINANCIAL REVIEW

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. During the period under review, the Group was financially sound. The Group's cash and bank balances and short term bank deposits as at 30 September 2009 amounted to approximately HK\$174.1 million. The Group's gearing ratio as at 30 September 2009 was 10.4% (31 March 2009: 5.0%), based on the short term and long term interest bearing bank borrowings of approximately HK\$46.2 million (31 March 2009: HK\$21.8 million) and the shareholders' fund of HK\$445.5 million (31 March 2009: HK\$437.0 million).

The Board believes that the Group's cash holding, liquid asset value, future revenue and available facilities from major shareholders will be sufficient to meet its working capital requirement of the Group.

Exchange rate exposure

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. For the six months ended 30 September 2009, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and US dollars were relatively stable under the current peg system, and the hedging of revenue received, and costs incurred, by the Group in Renminbi.

Financial guarantees and charges on assets

As at 30 September 2009, corporate guarantees amounting to approximately HK\$187.7 million (31 March 2009: HK\$162.7 million) were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK\$10.3 million (31 March 2009: HK\$10.3 million).

CONTINGENT LIABILITIES

As at 30 September 2009, the Group had no contingent liabilities.

PROSPECTS

Looking ahead, the directors expect that the operating environment in the printing industry will subsist to be tough and difficult. In spite of the recent stabilization of the global economy, the Group has been enduring from the slow economic recovery of the United States and European countries. The overseas demand for our products remains discouraging. In order to cope with the anticipated challenges and staying competitive, the Group will continue to implement stringent cost controls and management strategies to improve the profit margins of the businesses, including reducing fixed operating costs, exercising prudent and effective management measures in purchase transactions and inventory holding policy as well as tightening customer credit control. However, it is foreseeing that the consistent rising costs in PRC labours and raw materials as well as additional investment for fulfillment of environmental protection requirements will limit the effect of cost control measures. For the purpose of sustaining long term growth, the directors will also keep on exploring all potential opportunities to further the Group's business.

INTERIM DIVIDENDS

The directors have resolved to declare an interim dividend of HK1 cent per share (2008: HK1 cent per share) for the six months ended 30 September 2009 payable on or before Thursday, 21 January 2010 to shareholders whose names appear on the Register of Members of the Company on Friday, 15 January 2010.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 13 January 2010 to Friday, 15 January 2010 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 12 January 2010.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2009, the interests and short positions of the directors and chief executives 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 "SFO"(Chapter 571 of the Laws of Hong Kong)) 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 and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") and which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO were as follows:

Directors' interests in shares – Long position in the Shares of the Company

Name of Directors	Number of Shares held				Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	
Lui Shing Ming, Brian	5,468,750	–	318,895,286 (Note 1)	324,364,036	53.24%
Lui Shing Cheong	3,906,250	–	318,895,286 (Note 1)	322,801,536	52.99%
Lui Shing Chung, Victor	3,906,250	1,562,500 (Note 2)	318,895,286 (Note 1)	324,364,036	53.24%

Notes:

- These shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming, Brian) of The Lui Unit Trust are held by Trident Trust Company (B.V.I.) Limited as trustee of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming, Brian, Lui Shing Chung, Victor and Lui Shing Cheong. Messrs. Lui Shing Ming, Brian, Lui Shing Chung, Victor and Lui Shing Cheong further owns approximately as to 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.
- These shares are owned by the spouse of Mr. Lui Shing Chung, Victor.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)

In addition to the above, certain directors have non-beneficial interest in certain subsidiaries held for the benefit of the Company.

Save as disclosed above, as at 30 September 2009, none of the directors or chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code and which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Long/Short position	Capacity	Number of Shares/ underlying Shares held	Percentage of issued capital
Lui Chi	Long	Founder of a discretionary trust	318,895,286 (Note 1)	52.35%
Ng Sze Mui	Long	Founder of a discretionary trust	318,895,286 (Note 1)	52.35%
Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	324,364,036 (Note 2)	53.24%
Harmony Link Corporation	Long	Beneficial owner	318,895,286	52.35%
The Lui Family Company Limited	Long	Trustee	318,895,286 (Note 3)	52.35%
Trident Trust Company (B.V.I.) Limited	Long	Trustee	318,895,286 (Note 3)	52.35%

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

- (1) These shares are held by Harmony Link Corporation. Mr. Lui Chi and his spouse, Madam Ng Sze Mui are the founders of a discretionary trust mentioned in Note 1 to the section headed "Directors' and chief executive's interests and short positions in the shares, underlying Shares and debentures of the Company and its associated corporations" above.
- (2) Interests in these shares include interests in 1,562,500 shares held by Madam Ng Shuk Fong, Aman personally and interests in 322,801,536 shares through interest of her spouse, Mr. Lui Shing Chung, Victor as disclosed in the section headed "Directors' and chief executive's interest and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above.
- (3) These shares are held by Harmony Link Corporation. Please refer to Note 1 to the section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above.

Save as disclosed above, as at 30 September 2009, the directors are not aware that there is any party (not being a Director) who had any interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

SHARE OPTION SCHEMES

On 5 September 2002, the Group's share option scheme, which was adopted on 27 December 1996 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. As at 30 September 2009, the outstanding options granted under the Old Scheme had either been exercised or lapsed and no share options had been granted under the New Scheme.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 September 2009.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors, the management shareholders of the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

The directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 September 2009, except for the following deviation:

- Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company are not appointed for specific terms. However, under the Bye-laws of the Company, at each annual general meeting of the Company, one-third of the directors, including executive and independent non-executive directors, shall retire from office by rotation, and every director shall be subject to retirement at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the CG Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 September 2009, the Company has not redeemed any of its listed securities. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2009, the Group had an available workforce of approximately 1,350, of which around 1,200 were based in the PRC.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will also be based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

The Group has established a Remuneration Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has reviewed and determined the Group's remuneration policy, including the policy for the remuneration of executive directors, the levels of remuneration paid to executive directors and senior management of the Group.

EMPLOYMENT AND REMUNERATION POLICIES (CONTINUED)

The Remuneration Committee comprises 4 members, namely Mr. Lo Wing Man, Dr. Lam Chun Kong, Dr. Ng Lai Man, Carmen (all independent non-executive directors) and Mr. Lui Shing Ming, Brian, an executive director of the Company. This Committee is chaired by Mr. Lo Wing Man.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises 3 members, whom are independent non-executive directors, namely Dr. Ng Lai Man, Carmen, Dr. Lam Chun Kong and Mr. Lo Wing Man. This Committee is chaired by Dr. Ng Lai Man, Carmen.

The Audit Committee has reviewed with management about the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2009.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2009 have been reviewed by Grant Thornton, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION

On behalf of the Board, I would like to express its sincere gratitude to all our staff for their dedication and contribution, as well as to all our customers, suppliers, business associates and shareholders for their continuous support to the Group over the period.

By Order of the Board
Lui Shing Ming, Brian
Chairman

Hong Kong, 2 December 2009