



HUNG HING PRINTING GROUP LIMITED

鴻興印刷集團有限公司

(Stock Code 股份代號: 0450)

INTERIM REPORT 2009/2010 中期報告

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CORPORATE INFORMATION

Honorary Chairman

Yam Cheong Hung

Chairman

Peter Martin Springford, Non-Executive Director

Executive Directors

Yum Chak Ming, Matthew, Managing Director

Yam Ho Ming, Michael

Sung Chee Keung

Non-Executive Directors

Ho Chi Kit

Lam Tsz-Wang, Alvin

Mak Lok Qun, Denise

Independent Non-Executive Directors

Yap, Alfred Donald

Luk Koon Hoo

Lo Chi Hong

Advisers

Chu Shu Ho, David, JP

Leung Pak To

Company Secretary

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Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited

Hang Seng Bank Limited

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Auditors

PricewaterhouseCoopers

Share Registrar

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

INTERIM RESULTS

The directors of Hung Hing Printing Group Limited (“the Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 September	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2	1,502,712	2,207,706
Cost of sales		(1,194,068)	(1,827,248)
Gross profit		308,644	380,458
Other income and gains		12,239	38,398
Distribution costs		(34,359)	(50,194)
Administrative and selling expenses		(133,862)	(156,505)
Other expenses		(1,797)	(22,446)
Operating profit		150,865	189,711
Fair value gain on derivative financial instruments not qualified as hedges, net	13	123	103,422
Finance costs	3	(10,507)	(43,968)
Share of losses of an associate		(1,897)	(213)
PROFIT BEFORE TAX	4	138,584	248,952
Tax	5	(32,244)	(27,295)
PROFIT FOR THE PERIOD		106,340	221,657
ATTRIBUTABLE TO:			
Equity holders of the parent		100,942	221,890
Minority interests		5,398	(233)
		106,340	221,657
INTERIM DIVIDEND	6	36,545	36,971
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
Basic		HK10.9 cents	HK29.6 cents

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	106,340	221,657
OTHER COMPREHENSIVE INCOME		
Fair value gains/(losses) on available-for-sale investments, net of tax	5,218	(3,274)
Cash flow hedges taken to reserve, net of tax	(1,637)	2,557
Currency translation differences	6,763	26,554
Impairment loss on available-for-sale investments recognised in income statement	510	—
Available-for-sale investment revaluation reserve released on disposal	(490)	—
Cash flow hedges recognised in income statement, net of tax	1,752	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	12,116	25,837
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	118,456	247,494
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	111,021	238,252
Minority interests	7,435	9,242
	118,456	247,494

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,325,398	1,362,602
Prepaid land lease payments	9	146,264	147,859
Available-for-sale investments	10	14,569	9,785
Properties under construction	11	45,245	35,994
Interests in an associate		904	504
Deferred tax assets		2,752	4,348
Total non-current assets		<u>1,535,132</u>	<u>1,561,092</u>
CURRENT ASSETS			
Inventories		536,231	503,957
Accounts and bills receivable	12	751,856	538,295
Prepayments, deposits and other receivables		38,901	40,793
Derivative financial instruments	13	143	3,691
Tax recoverable		3,240	11,577
Pledged time deposits		97,575	115,628
Cash and cash equivalents	14	1,179,298	1,310,268
Total current assets		<u>2,607,244</u>	<u>2,524,209</u>
CURRENT LIABILITIES			
Accounts and bills payable	15	237,636	128,434
Tax payable		31,327	23,417
Other payables and accrued liabilities		142,292	123,557
Derivative financial instruments	13	6,942	6,858
Interest-bearing bank and other borrowings		296,624	337,153
Total current liabilities		<u>714,821</u>	<u>619,419</u>
NET CURRENT ASSETS		<u>1,892,423</u>	<u>1,904,790</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,427,555</u>	<u>3,465,882</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		300,925	335,825
Deferred tax liabilities		44,615	39,797
Total non-current liabilities		<u>345,540</u>	<u>375,622</u>
Net assets		<u>3,082,015</u>	<u>3,090,260</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	16	91,570	92,428
Reserves		2,744,336	2,686,446
Proposed dividend		36,545	92,428
		<u>2,872,451</u>	<u>2,871,302</u>
Minority interests		209,564	218,958
Total equity		<u>3,082,015</u>	<u>3,090,260</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009 (Unaudited)

	Attributable to equity holders of the parent												
	Issued capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Hedging reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Legal reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2009	92,428	1,559,461	966	(814)	(5,727)	(489)	111,984	111,949	909,116	92,428	2,871,302	218,958	3,090,260
Profit for the period	—	—	—	—	—	—	—	—	100,942	—	100,942	5,398	106,340
Exchange realignment	—	—	—	—	—	—	—	4,726	—	—	4,726	2,037	6,763
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	—	5,218	—	—	—	—	5,218	—	5,218
Impairment loss on available-for-sale investments recognised in income statement	—	—	—	—	—	510	—	—	—	—	510	—	510
Revaluation reserve released on disposal	—	—	—	—	—	(490)	—	—	—	—	(490)	—	(490)
Cash flow hedges taken to reserve, net of tax	—	—	—	—	(1,637)	—	—	—	—	—	(1,637)	—	(1,637)
Cash flow hedges recognised in income statement, net of tax	—	—	—	—	1,752	—	—	—	—	—	1,752	—	1,752
Total comprehensive income for the period	—	—	—	—	115	5,238	—	4,726	100,942	—	111,021	7,435	118,456
Final 2009 dividend declared	—	—	—	—	—	—	—	—	—	(92,198)	(92,198)	—	(92,198)
Shares repurchased and cancelled	(858)	—	858	—	—	—	—	—	(17,674)	—	(17,674)	—	(17,674)
Reduction in final 2009 dividend due to repurchase of shares	—	—	—	—	—	—	—	—	230	(230)	—	—	—
Interim 2010 dividend	—	—	—	—	—	—	—	—	(36,545)	36,545	—	—	—
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	2,934	2,934
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(19,763)	(19,763)
At 30 September 2009	<u>91,570</u>	<u>1,559,461</u>	<u>1,824</u>	<u>(814)</u>	<u>(5,612)</u>	<u>4,749</u>	<u>111,984</u>	<u>116,675</u>	<u>956,069</u>	<u>36,545</u>	<u>2,872,451</u>	<u>209,564</u>	<u>3,082,015</u>

For the six months ended 30 September 2008 (Unaudited)

	Attributable to equity holders of the parent												
	Issued capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Hedging reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Legal reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2008	60,078	724,845	966	(814)	(1,954)	4,802	99,515	104,814	1,049,215	9,243	2,050,710	382,887	2,433,597
Profit/(loss) for the period	—	—	—	—	—	—	—	—	221,890	—	221,890	(233)	221,657
Exchange realignment	—	—	—	—	—	—	—	17,079	—	—	17,079	9,475	26,554
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(3,274)	—	—	—	—	(3,274)	—	(3,274)
Cash flow hedges taken to reserve, net of tax	—	—	—	—	2,557	—	—	—	—	—	2,557	—	2,557
Total comprehensive income/(loss) for the period	—	—	—	—	2,557	(3,274)	—	17,079	221,890	—	238,252	9,242	247,494
Final 2008 dividend declared	—	—	—	—	—	—	—	—	—	(9,243)	(9,243)	—	(9,243)
Issue of shares	32,350	841,101	—	—	—	—	—	—	—	—	873,451	—	873,451
Share issue expenses	—	(6,485)	—	—	—	—	—	—	—	—	(6,485)	—	(6,485)
Interim 2009 dividend	—	—	—	—	—	—	—	—	(36,971)	36,971	—	—	—
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	9,266	9,266
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(12,013)	(12,013)
At 30 September 2008	<u>92,428</u>	<u>1,559,461</u>	<u>966</u>	<u>(814)</u>	<u>603</u>	<u>1,528</u>	<u>99,515</u>	<u>121,893</u>	<u>1,234,134</u>	<u>36,971</u>	<u>3,146,685</u>	<u>389,382</u>	<u>3,536,067</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	79,283	130,112
INVESTING ACTIVITIES	1,348	(115,228)
FINANCING ACTIVITIES	(213,192)	262,090
	<hr/>	<hr/>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(132,561)	276,974
Cash and cash equivalents at beginning of period	1,309,770	810,807
Effect of foreign exchange rate changes, net	1,588	4,253
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,178,797</u>	<u>1,092,034</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	703,456	173,835
Time deposits with original maturity of three months or less when acquired	475,341	918,199
	<hr/>	<hr/>
	<u>1,178,797</u>	<u>1,092,034</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rule”), and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which have been prepared in accordance with HKFRSs.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in those annual financial statements. Certain comparative amounts have been reclassified to conform with the current period’s presentation.

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

The following new and revised standards and amendments to standards are mandatory for the year ending 31 March 2010. The Group has adopted these revised standards and amendments to standards where considered appropriate and relevant to its operations.

- HKFRS 1 (amendment), ‘First-time adoption of Hong Kong Financial Reporting Standards’.
- HKFRS 2 (amendment), ‘Share-based payment’.
- HKFRS 7 (amendment), ‘Financial instruments: Disclosure’, amendment on improving disclosures about financial instruments issued in Mar 2009.
- HKFRS 8, ‘Operating segments’.
- HKAS 1 (revised), ‘Presentation of financial statements’.
- HKAS 23 (revised), ‘Borrowing costs’.
- HKAS 32 (amendment), ‘Financial instruments: presentation’.
- HK(IFRIC) 9 (amendment), ‘Reassessment of embedded derivatives’ and HKAS 39 (amendment), ‘Financial instruments: Recognition and measurement’.
- HK(IFRIC) 13, ‘Customer loyalty programmes’.
- HK(IFRIC) 15, ‘Agreements for the construction of real estate’.
- HK(IFRIC) 16, ‘Hedges of a net investment in a foreign operation’.

- HKAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

1. Basis of Preparation and Accounting Policies *(continued)*

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in changes of reportable segments presented, as the previously reported paper and carton box printing and manufacturing and corrugated carton manufacturing segments have been split into offset printing, corrugated carton and Zhongshan/Wuxi packaging segments. The definition of the reportable segments are set out in note 2 to the financial statements.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management committee (note 2).

- HKFRS 7 (amendment), 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 March 2010.

This interim report has been reviewed by the Company's Audit Committee.

2. Segment Information

The chief operating decision-maker has been identified as the management committee comprising the Managing Director, the Chief Operating Officer and the Company's financial officers. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The committee considers the business from the location of plant and activity perspective. From these perspective, the Group has identified five reportable segments:

1. Offset printing segment;
2. Corrugated carton segment;
3. Zhongshan/Wuxi packaging segment;
4. Paper trading segment; and
5. Paper manufacturing segment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

2. Segment Information (continued)

The management committee assesses the performance of the operating segments based on a measure of adjusted earnings before interest and income tax. This measurement basis excludes the effects of the fair value gain/loss on derivative financial instruments. Interest income and expenses are not included in the result for each operating segment that is reviewed by the management committee.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

An analysis by business segment is as follows:

	For the six months ended 30 September 2009			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to external customers (Unaudited) HK\$'000	Intersegment sales (Unaudited) HK\$'000	Total sales (Unaudited) HK\$'000	(Unaudited) HK\$'000
Offset printing	681,954	88,111	770,065	98,144
Corrugated carton	122,873	58,629	181,502	17,244
Zhongshan/Wuxi packaging	322,779	5,169	327,948	23,372
Paper trading	192,884	178,268	371,152	24,748
Paper manufacturing	182,222	31,019	213,241	(2,920)
Eliminations	—	(361,196)	(361,196)	(622)
	<u>1,502,712</u>	<u>—</u>	<u>1,502,712</u>	<u>159,966</u>
Interest, dividend income and other gains				6,183
Corporate and unallocated expenses				<u>(15,284)</u>
Operating profit				150,865
Fair value gain on derivative financial instruments not qualified as hedges, net				123
Finance costs				(10,507)
Share of losses of an associate				<u>(1,897)</u>
Profit before tax				138,584
Tax				<u>(32,244)</u>
Profit for the period				<u>106,340</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

2. Segment Information (continued)

	For the six months ended 30 September 2008			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to external customers (Unaudited) HK\$'000	Intersegment sales (Unaudited) HK\$'000	Total sales (Unaudited) HK\$'000	(Unaudited) HK\$'000
Offset printing	910,754	28,219	938,973	86,475
Corrugated carton	204,386	98,869	303,255	57,364
Zhongshan/Wuxi packaging	423,173	9,909	433,082	40,814
Paper trading	247,632	204,074	451,706	48,616
Paper manufacturing	421,761	87,007	508,768	(36,375)
Eliminations	—	(428,078)	(428,078)	3,686
	<u>2,207,706</u>	<u>—</u>	<u>2,207,706</u>	200,580
Interest, dividend income and other gains				15,397
Corporate and unallocated expenses				<u>(26,266)</u>
Operating profit				189,711
Fair value gain on derivative financial instruments not qualified as hedges, net				103,422
Finance costs				(43,968)
Share of losses of an associate				<u>(213)</u>
Profit before tax				248,952
Tax				<u>(27,295)</u>
Profit for the period				<u>221,657</u>

3. Finance Costs

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank loans	<u>10,507</u>	<u>43,968</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

4. Profit Before Tax

The Group's profit before tax is arrived at after charging or crediting the following items:

	For the six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
After charging —		
Depreciation	57,350	72,054
Recognition of prepaid land lease payments	2,002	2,049
Employee benefits expense (including directors' remuneration)	278,289	326,707
Write-down of inventories to net realisable value*	969	11,432
Impairment of available-for-sale investments	422	—
Fair value loss on structured borrowings, net	—	14,741
After crediting —		
Dividend income from available-for-sale investments	139	208
Gain on disposal of available-for-sale investments	240	—
Bank interest income	5,580	14,849
Fair value gains on derivative financial instruments not qualified as hedges, net (note 13)	123	103,422

* *The write-down of inventories to net realisable value is included in "Cost of sales" on the face of the consolidated income statement.*

5. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong	13,929	13,723
— Mainland China	12,106	14,851
Deferred tax	6,209	(1,279)
Total tax charge for the period	32,244	27,295

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

6. Interim Dividend

	For the six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK4 cents (2008: HK4 cents) per ordinary share	<u>36,545</u>	<u>36,971</u>

7. Earnings Per Share Attributable to Equity Holders of the Parent

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the parent of HK\$100,942,000 (2008: HK\$221,890,000) and the weighted average of 922,683,160 (2008: 749,272,536) shares in issue during the period.

Diluted earnings per share amount for the periods ended 30 September 2009 and 2008 have not been disclosed as no diluting events existed during these periods.

8. Property, Plant and Equipment

	30 September
	2009
	(Unaudited)
	HK\$'000
Net carrying amount at 1 April 2009	1,362,602
Additions	17,472
Transfer from properties under construction	489
Disposals	(2,704)
Depreciation provided during the period	(57,350)
Exchange realignment	4,889
Net carrying amount at 30 September 2009	<u>1,325,398</u>

Certain buildings and plant and machinery of the Group with a total net book value of HK\$107,470,000 (31 March 2009: HK\$107,728,000) have been pledged to secure banking facilities granted to the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

9. Prepaid Land Lease Payments

	30 September 2009 (Unaudited) HK\$'000
Carrying amount at beginning of period	147,859
Recognised during the period	(2,002)
Exchange realignment	407
Carrying amount at 30 September 2009	<u>146,264</u>

Certain leasehold lands of the Group with a total net book value of HK\$49,970,000 (31 March 2009: HK\$50,373,000) have been pledged to banks to secure banking facilities granted to the Group.

10. Available-for-sale Investments

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Unlisted equity investments, at fair value	80	80
Club debentures, at fair value	5,630	2,838
	<u>5,710</u>	<u>2,918</u>
Hong Kong listed equity investments, at market value	8,859	6,867
	<u>14,569</u>	<u>9,785</u>

11. Properties Under Construction

	30 September 2009 (Unaudited) HK\$'000
At beginning of period	35,994
Additions	9,726
Transfer to property, plant and equipment	(489)
Exchange realignment	14
At 30 September 2009	<u>45,245</u>

The properties under construction are located in Mainland China.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

12. Accounts and Bills Receivable

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivable are non-interest-bearing.

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Accounts receivable	758,898	544,071
Impairment	(33,106)	(33,271)
	<u>725,792</u>	<u>510,800</u>
Bills receivable	26,064	27,495
	<u><u>751,856</u></u>	<u><u>538,295</u></u>

An aged analysis of accounts receivable at the balance sheet date, based on invoice date and net of provisions, is as follows:

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Within 30 days	291,444	173,894
31 to 60 days	219,026	134,462
61 to 90 days	115,255	79,328
Over 90 days	100,067	123,116
	<u>725,792</u>	<u>510,800</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

13. Derivative Financial Instruments

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Assets:		
Forward currency contracts	143	3,691
	<u>143</u>	<u>3,691</u>
Liabilities:		
Forward currency contracts	221	—
Interest rate swaps	6,721	6,858
	<u>6,942</u>	<u>6,858</u>

Forward currency contracts

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The net fair value gain on non-hedging currency derivatives amounting to HK\$123,000 were credited to the consolidated income statement during the period (2008: HK\$103,422,000) (note 4).

Interest rate swaps — cash flow hedge

The Group had interest rate swap agreements in place with notional amounts, in aggregate, of HK\$240,000,000 (31 March 2009: HK\$250,000,000) whereby it receives interest at variable rates equal to HIBOR on the notional amounts and pays interest at fixed rates ranging between 2.75% and 2.89% for an original period of three years. The swap is used to hedge the exposure to variability of cash flows that is attributable to the Group's bank borrowings. The decrease in fair value of this cash flow hedge net of deferred tax during the period ended 30 September 2009 of HK\$1,637,000 (2008: increase of HK\$2,557,000) was included in the hedging reserve.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

14. Cash and Cash Equivalents

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Cash and bank balances	703,456	292,472
Time deposits	573,417	1,133,424
	<u>1,276,873</u>	<u>1,425,896</u>
Less: Pledged time deposits	(97,575)	(115,628)
Cash and cash equivalents	<u><u>1,179,298</u></u>	<u><u>1,310,268</u></u>

15. Accounts and Bills Payable

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Accounts payable	181,789	107,842
Bills payable	55,847	20,592
	<u>237,636</u>	<u>128,434</u>

An aged analysis of accounts payable as at the balance sheet date, based on invoice date, is as follows:

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Within 30 days	117,536	68,819
31 to 60 days	45,253	27,171
61 to 90 days	10,660	2,045
Over 90 days	8,340	9,807
	<u>181,789</u>	<u>107,842</u>

The accounts payable are non-interest-bearing and are normally settled on 30-day terms.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

16. Issued Capital

	Number of shares	Ordinary shares HK\$'000
Opening balance 1 April 2008	600,780,529	60,078
Issue of shares	323,500,445	32,350
At 30 September 2008	<u>924,280,974</u>	<u>92,428</u>
Opening balance 1 April 2009	924,280,974	92,428
Shares repurchased and cancelled	(8,582,000)	(858)
At 30 September 2009	<u>915,698,974</u>	<u>91,570</u>

During the period, the Company repurchased 9,552,000 of its ordinary shares of HK\$0.10 each through purchases on The Stock Exchange of Hong Kong Limited. Among the repurchased shares, 8,582,000 shares were cancelled during the period while 970,000 shares were pending for cancellation on 30 September 2009. The aggregate consideration of HK\$17,674,000 paid for the cancelled shares was charged against the retained profits and the nominal value of these shares of HK\$858,000 was transferred to capital redemption reserve.

On 8 July 2008, ordinary shares of 323,500,445 of HK\$0.10 each were issued for cash at a subscription price of HK\$2.70 per share pursuant to the subscription agreement with Asia Packaging Company Limited for a total cash consideration, before expenses, of HK\$873,451,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

17. Related Party Transactions

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Note	For the six months ended	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Adviser fee paid to companies in which the non-executive directors of the Company are controlling shareholder	(i)	791	—
Proceed from disposal of a club debenture to a company in which a director of the Company is a controlling shareholder	(ii)	922	—
Service fee paid to a substantial shareholder	(iii)	55	—
Sale of goods	(iv)	18	—
Rentals paid to a director and a company in which a director of the Company is a controlling shareholder	(v)	—	306

Note:

- (i) The adviser fees were paid to two companies in which Mr. Peter Martin Spingford, an non-executive director of the Company and Mr. David Murray Lonie, an non-executive director of the Company who retired on 21 August 2009 are controlling shareholders of their respective company. The adviser fees were charged based on mutually agreed basis.
- (ii) The club debenture was sold to a company in which Mr. Yum Chak Ming, Matthew, an executive director of the Company was a controlling shareholder. The selling price was determined by reference to the prevailing market price.
- (iii) The service fee was payable to Asia Packaging Company Limited, a substantial shareholder of the Company. The service fee was charged based on mutually agreed basis.
- (iv) The goods were sold to CVC Asia Pacific Limited, the adviser to a substantial shareholder of the Company. The selling price was determined by reference to selling price for goods sold to customer of the Group.
- (v) During the last period, the rentals paid to a director and a company in which a director of the Company is a controlling shareholder were in connection with the housing benefits provided to Mr. Yam Hon Ming, Tommy, a former executive director of the Company resigned on 17 July 2008, and were determined based on estimated open market rentals. The rentals have been included in the directors' remuneration.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

17. Related Party Transactions *(continued)*

(b) Outstanding balances with related parties

There were no outstanding balances with related parties as at 30 September 2009 (31 March 2009: Nil).

(c) Compensation of key management personnel of the Group

	For the six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employment benefits	17,756	11,223
Post-employment benefits	299	325
	<u>18,055</u>	<u>11,548</u>

18. Contingent Liabilities and Commitments

	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
(a) Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
Within one year	3,790	4,950
In the second to fifth years, inclusive	8,872	8,891
After five years	67,707	68,427
	<u>80,369</u>	<u>82,268</u>
	30 September	31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
(b) In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the balance sheet date:		
Contracted for, but not provided for:		
Land and buildings	13,722	7,679
Plant and machinery	20,268	9,553
Capital contribution payable to an associate	1,550	1,550
	<u>35,540</u>	<u>18,782</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

18. Contingent Liabilities and Commitments *(continued)*

- (c) As at 30 September 2009, the Company has provided corporate guarantees to the extent of HK\$1,387,040,000 (31 March 2009: HK\$1,423,240,000) to secure the banking and trading facilities of subsidiaries and an associate. The amount drawn against the banking and trading facilities was HK\$462,164,000 as at 30 September 2009 (31 March 2009: HK\$456,581,000).

19. Approval of the Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 21 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

The economic downturn that began toward the end of 2008 affected businesses around the world. For the six months ending 30 September 2009 the Group saw reduced revenue across all business units.

During the period under review, some of the Group's geographic markets were affected more than others. Exports from China were down, impacting many of our customers, which in turn reduced sales for the offset printing and corrugated carton business units.

In view of this situation, the Group moved proactively to reduce costs and improve inventory control, which helped improve gross profit margins. Distribution costs as well as administrative and selling, and other expenses were all lower than the same period last year. Hung Hing's largest business unit, offset printing, achieved a 13% increase in operating profit due in part to these actions.

Initiatives employed by the Group included headcount rightsizing in all facilities, relocating labor-intensive production to lower-cost locations, securing improved costs and terms of procurement, reducing waste, and improving workflow, which led to increased efficiency.

During the period under review, the Group saw revenues decline by 32%. Operating profit decreased by 21% (in smaller proportion), reflecting our effort in reducing costs. Profit for the period decreased by 52%, which was mainly caused by the exceptional item on fair value gain of HK\$103 million recognized from the termination of the Group's derivative financial instruments during the last period under review.

Profit attributable to equity holders of the parent dropped 55% to HK\$101 million. Earnings per share decreased 63% to HK10.9 cents.

Hung Hing's balance sheet remains strong with a net cash position of HK\$679 million as of 30 September 2009. Backed by the Group's solid financial position, the Board of Directors has declared an interim dividend of HK4 cents per share.

Business Units Report

Hung Hing operates across five main business units, by plant location and activity: offset printing; corrugated carton; Zhongshan/Wuxi packaging; paper trading; and paper manufacturing.

Offset Printing

The Group's largest business unit produces folding boxes and packaging for toys, consumer products, packaged food, and consumer electronics. It also produces books and is one of the largest manufacturers of children's novelty books in the world. Operations are located in Hong Kong, Shenzhen and Heshan.

During the period the unit saw revenue decrease by 25% while operating profit increase by 13%. The decline in revenue is attributed to slower demand in overseas markets. Sales were impacted by the weaker pound sterling and Euro as well as the economic uncertainty that prevailed in the first half. Domestic sales in China were affected by reduced demand amidst a challenging business environment, which posed some price competition and ultimately impacted revenue.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Units Report *(continued)*

Offset Printing (continued)

During this period Hung Hing streamlined its operations, reducing headcount at the Shenzhen plant mostly through natural attrition. The Group also saved costs by optimizing warehousing space, carefully managing inventory, reducing overhead expenses and improving cost efficiency through enhanced production processes.

During the last quarter of 2008 paper prices came down from historic highs, and the Group took the opportunity to build paper supply positions for the summer season. This helped improve margins, demonstrating the Group's ability to adapt and operate with good results in changing conditions.

The Heshan plant has now been in operation for over two years and has become an efficient part of the Group's operations. The plant currently employs around 1,800 workers.

Corrugated Carton

This business unit produces corrugated cartons for toys, food & beverage, electrical appliances and household products, around two-thirds of which is geared toward Hong Kong-based customers and one-third to the China domestic market. It runs distribution operations in Hong Kong and a manufacturing plant in Shenzhen.

During the period under review, the unit saw revenue decline by 40% and operating profit decrease by 70%. Export-oriented customers were affected by the financial crisis, which impacted the corrugated carton business unit's sales.

Headcount was reduced at the Shenzhen plant, and cost management and improvements in efficiency will remain core to the business unit's focus moving forward. In addition, management is working to diversify the market segments into which the business unit sells, with a focus on high-end customers operating in sectors such as electronics and food & beverage as well as increasing sales in the China domestic market.

Zhongshan/Wuxi Packaging

The Zhongshan and Wuxi plants are engaged in colour box packaging and corrugated carton packaging for the domestic market as well as some other printed paper products, both for the domestic and export markets.

During the period under review, revenue and operating profit for the unit were down 24% and 43% respectively. Business was impacted by lower prices to domestic customers. However, management was able to secure new business in a number of new segments and managed paper costs in the early part of 2009 to offset the lower pricing environment demanded by key customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Units Report *(continued)*

Zhongshan/Wuxi Packaging (continued)

Both Zhongshan and Wuxi are positioned to further expand the Group's China sales, in particular the growing paper packaging markets — a strategy that is expected in part to mitigate the impact of seasonality currently being experienced and improve overall operating efficiencies. In June 2009 the Group entered into agreements to increase its equity interests in the three companies comprising the Zhongshan printing and packaging business, further strengthening the Group's position as a leading print and packaging supplier.

Paper Trading

Hung Hing's paper trading business unit is involved in sourcing paper for outside printers as well as the Group's manufacturing units. For the period under review, the unit was impacted by the decline in paper prices and lower demand brought about by the recession. In addition, demand for higher-quality paper from customers such as book printers decreased, while demand for lower-end paper from industrial manufacturers increased.

In view of the challenging economic situation, the paper trading unit was selective and cautious in managing credit risk. While this step was prudent, it impacted margins during the period, and revenue for the unit dropped 22%. Operating profit declined by 49%.

During the period the Group established a new trading subsidiary in China with approval to trade locally, greatly expanding the potential business in the China domestic market for paper.

Paper Manufacturing

The paper manufacturing unit comprises a joint venture business that manufactures corrugated medium and testliner used in the manufacture of corrugated cartons. The paper is sold to outside converters as well as the Group's corrugated carton operations.

During the period under review the unit was impacted by lower paper prices as a result of oversupply and slow demand. This led the Group to shut down one of the unit's three production lines at Zhongshan. Revenue ultimately declined by 57% along with lower production volumes, resulting in operating losses of HK\$3 million for the period.

In June 2009, the Group announced that it had entered into agreements to reduce its stake in the Zhongshan paper manufacturing plant from 59% to 31%. Upon obtaining approval from the local authority in China and completing the transaction, this business unit will no longer be consolidated and instead become an associated investment.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Units Report *(continued)*

Associate

The Group's new joint venture, Graphic Hung Hing Packaging (Shanghai) Co. Ltd., continued to expand sales in the growing market for multi-pack beverage packaging in China. While the Group shared its initial losses of HK\$2 million during the period, the Group believes there is significant potential once the consumer pattern of purchasing beverages in multi-packs is established in line with other similar markets.

Environmental achievements

Conserving the environment and operating a sustainable business are important parts of the Group's business practices. The offset printing unit sources from legal, well-managed forests in line with the Group's Chain of Custody (CoC) certifications from the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification Schemes (PEFC). Hung Hing also supports and participates in the Hong Kong and Guangdong governments' Cleaner Production Partnership Programme.

Liquidity and Capital Resources

During the period under review, Hung Hing recorded positive cash inflow from operating activities of HK\$79 million compared to HK\$130 million as of 30 September 2008. The Group continued to maintain a prudent approach to its working capital management, in particular regarding credit control and accounts receivable collection. This reduced trade working capital, comprising inventories, accounts and bills receivable, accounts and bills payable, which as of 30 September 2009 was HK\$1,050 million, down 36% from the last period.

Capital expenditure for the period amounted to HK\$29 million and was invested mainly in productivity improvements for the Group's plants in China.

During the period the Group made net loan repayments of HK\$75 million. Total bank borrowings as of 30 September 2009 were HK\$598 million, of which HK\$297 million were repayable within one year and HK\$301 million repayable within two to four years. Of the Group's total bank borrowings, 79% was in Hong Kong dollars, 20% in Renminbi and 1% in US dollars. The gearing ratio as based on total bank borrowings divided by total equity was 19% as compared to 34% last period. With a significantly lower level of bank borrowings and interest rate compared to same period last year, interest expenses dropped by 76% to HK\$11 million.

As of 30 September 2009, the Group had cash on hand of HK\$1,277 million, including pledged time deposits placed by its China subsidiaries. Of the total cash on hand, 63% was held in Hong Kong dollars, 29% in Renminbi and 8% in US dollars. Net cash on hand (net of total bank borrowings) was HK\$679 million.

To better utilize cash on hand and to enhance shareholder value, the Group repurchased 9,552,000 shares at a total cost of HK\$19.7 million during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Employees

As of 30 September 2009, the Group employed a total of 12,480 people in Hong Kong and China, with 355 based in Hong Kong and 12,125 in the Mainland. During the period under review, the Group continued to provide its employees with a competitive remuneration package, career development opportunities and training to help staff grow and enhance their skills. Workplace safety training continues to be an area of intense focus for the Group.

Prospects

Although the Group has already seen promising signs in the market, recovery is likely to be gradual and sporadic. The Group believes it will benefit from the trend of industry consolidation, which is expected to continue. Hung Hing management is working to build stronger delivery capability for our customers while continuing to optimize and streamline the Group's business operations. Initiatives that are currently underway include significant equipment investments aimed at quality and efficiency improvement, process streamlining and order management system enhancements.

These and other efforts will help Hung Hing by improving the quality of earnings in the near term and positioning the Group to benefit from the economic recovery and the growth potential of the China domestic packaging market.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Interim Dividend

The directors have resolved to pay an interim dividend of HK4 cents (2008: HK4 cents) per share. The interim dividend will be paid on 20 January 2010 to shareholders whose names appear on the Register of Members of the Company on 8 January 2010.

Closure of Register of Members

The Register of Members of the Company will be closed from 6 January 2010 to 8 January 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 5 January 2010.

Purchase, Redemption or Sale of Listed Securities of the Company

During the period ended 30 September 2009, the Company repurchased a total of 9,552,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK\$19,736,000 (including expenses).

Particulars of the repurchased shares are as follows:

Month	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid (including expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
July 2009	2,208,000	2.05	1.95	4,446
August 2009	4,152,000	2.37	1.86	8,735
September 2009	3,192,000	2.20	1.98	6,555
	<u>9,552,000</u>			<u>19,736</u>

Out of 9,552,000 shares repurchased, 8,582,000 shares were cancelled during the period while the remaining 970,000 shares were cancelled subsequent to the period ended 30 September 2009.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities during the period ended 30 September 2009.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES (continued)

Directors' Interests in Shares

At 30 September 2009, the interests of the directors in the share capital of the Company or 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 pursuant to 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 Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rule, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Yum Chak Ming, Matthew	9,374,537	—	—	9,374,537	1.02
Yap, Alfred Donald	27,504	—	—	27,504	—
Sung Chee Keung	602,824	60,000	—	662,824	0.07

Long positions in ordinary shares of associated corporations:

Name of directors	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/registered capital held	Percentage of the associated corporation's issued share capital/registered capital
Sung Chee Keung	South Gain Enterprises Limited	Through controlled corporation	85,000 shares	5
Sung Chee Keung	Zhongshan Hung Hing Printing & Packaging Company Limited	Through controlled corporation	US\$900,000	5
Sung Chee Keung	Zhongshan Hung Hing Off-Set Printing Company Limited	Through controlled corporation	US\$250,000	5
Sung Chee Keung	Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Through controlled corporation	US\$1,441,500	5
Sung Chee Keung	Zhongshan Ren Hing Paper Manufacturing Company Limited	Through controlled corporation	US\$735,500	5

Save as disclosed above, as at 30 September 2009, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES (continued)

Directors' Rights to Acquire Shares

At no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 30 September 2009, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
CVC Capital Partners Asia III Limited	(a)	Through controlled corporation	340,476,445	37.18
CVC Capital Partners Asia Pacific III L.P.	(a)	Through controlled corporation	340,476,445	37.18
Asia Packaging Group Holdings Limited	(a)	Through controlled corporation	340,476,445	37.18
Asia Packaging Holdings Limited	(a)	Through controlled corporation	340,476,445	37.18
Asia Packaging Company Limited	(a)	Directly beneficially owned	340,476,445	37.18
Yam Cheong Hung	(b)	Directly beneficially owned and through controlled corporation and his spouse	291,576,586	31.84
C.H. Yam International Limited	(b)	Directly beneficially owned and through controlled corporation	286,834,379	31.32
C.H. Yam Holding Limited	(b)	Through controlled corporation	195,263,190	21.32
Hung Tai Industrial Company Limited	(b)	Directly beneficially owned	195,263,190	21.32

Note:

- (a) There is a duplication of interests of 340,476,445 shares in the Company among CVC Capital Partners Asia III Limited, CVC Capital Partners Asia Pacific III L.P., Asia Packaging Group Holdings Limited, Asia Packaging Holdings Limited and Asia Packaging Company Limited.
- (b) C.H. Yam International Limited is a company owned by Yam Cheong Hung and his family. C.H. Yam International Limited in turn owns Hung Tai Industrial Company Limited as to 96.6% through its wholly-owned subsidiary C.H. Yam Holding Limited. Further, under the SFO, Yam Cheong Hung is deemed to be interested in the 1,650,207 shares (0.18% of the Company's issued share capital) owned by his spouse.

There is a duplication of interests of 195,263,190 shares in the Company among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(continued)*

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares *(continued)*

Save as disclosed above, as at 30 September 2009, no person, other than the directors of the Company, whose interests are set out in section "Directors' interests in shares" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company subsequent to the date of the annual financial statements for the year ended 31 March 2009 or the latest pertaining publication of the Company subsequent to the annual financial statements for the year ended 31 March 2009 (if any) are set out below:

Name of director	Details of changes
Mr Luk Koon Hoo	Mr Luk has stepped down from the Board of Hong Kong Applied Science and Technology Research Institute Limited effective August 2009

Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim results, with the exception that under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the interim results.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(continued)*

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors and a non-executive director of the Company.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the unaudited financial consolidated accounts of the Company for the period ended 30 September 2009.

By Order of the Board
Peter Martin Springford
Chairman

Hong Kong, 21 December 2009