NOTES TO CONDENSED ACCOUNTS

1. Organisation

New Spring Holdings Limited (the "Company") was incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 25 August 2005, Automatic Result Limited ("Automatic Result") entered into a sale and purchase agreement with Mr. Ng Man Chan ("Mr. Ng") (the then controlling shareholder and chairman of the Company) and Fortune Gold Developments Limited (the then ultimate holding company of the Company which is beneficially owned by Mr. Ng). Pursuant to the aforesaid sale and purchase agreement, which was completed on 13 September 2005, Automatic Result becomes the holder of 95,000,000 shares of the Company, representing approximately 52.78% of the total issued share capital of the Company.

Pursuant to the Hong Kong Code on Takeovers and Mergers. Automatic Result made an unconditional cash offer to acquire all the issued shares of the Company not already owned by Automatic Result and parties acting in convert with it. Upon the close of the cash offer on 13 October 2005, Automatic Result held in aggregate 95,000,000 shares in the Company, representing approximately 52.78% of the issued share capital of the Company.

Accordingly, Automatic Result, which is beneficially owned by Mr. Tong Kit Shing ("Mr. Tong"), thereafter becomes the ultimate holding company of the Company. Mr. Tong was appointed as an executive director on 22 September 2005, and was elected as Chairman on 14 October 2005 and assumed effective control of the Company's management with effect from that date.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and trading of paper gift items, packaging and promotional products in Hong Kong and in the People's Republic of China ("PRC").

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in compliance with Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described in note 3 below.

3. Impact of new Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are effective for accounting periods beginning on or after 1 January 2005.

The major changes in accounting policies upon the adoption of these HKFRSs and the application of the relevant transitional provisions are summarised as follows:

(a) The adoption of HKAS 1 has resulted in a change in the presentation of minority interests, which are now shown within equity. On the face of the consolidated profit and loss account, minority interests are presented as an allocation of the total profit or loss for the period. This change in presentation has been applied retrospectively.

(b) The adoption of HKFRS 3 has resulted in a change in the accounting policy relating to goodwill.

Previously, goodwill arising on acquisition of subsidiaries prior to 1 January 2001 was held in reserves, and would be charged to the consolidated profit and loss account at the time of disposal of the relevant subsidiary, or at such time as the goodwill was determined to be impaired. Goodwill arising on acquisition of subsidiaries after 1 January 2001 was capitalised and amortised on a straight line basis over its useful economic life.

With effect from 1 January 2005, positive goodwill will not be amortised. Positive goodwill is subject to impairment test and impairment losses are recognized, if any. This new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements in HKFRS 3. As a result, comparative figures have not been restated.

The carrying amount of negative goodwill previously recognized is no longer recognized and is credited to deficit in reserve.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the gain or loss on disposal.

The effect of the changes in the accounting policies described above is a decrease in amortisation of goodwill of approximately HK$1,308,000 for the period.

Save as disclosed above, other new HKFRSs and HKASs adopted have no material impact on this interim report.

4. Segment information

Primary reporting format – business segments

The Group is principally engaged in the manufacturing and trading of packaging products, paper gifts items and promotional products in Hong Kong and the PRC.

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Unaudited Six months ended 30 September 2005 *HK$'000*			
	Packaging Products	**Paper Gifts Items**	**Promotional Products**	**Group**
Turnover	**26,557**	**10,668**	**21,381**	**58,606**
Segment results	**5,436**	**1,705**	**4,436**	**11,577**
Unallocated income				**832**
Unallocated costs				**(25,982)**
Gain on disposal of a subsidiary				**1,095**
Operating (loss)				**(12,478)**
Finance costs				**(2,220)**
(Loss) before taxation				**(14,698)**
Taxation				**0**
(Loss) for the period				**(14,698)**

	Unaudited Six months ended 30 September 2004 *HK$'000*			
	Packaging Products	Paper Gifts Items	Promotional Products	Group
Turnover	38,446	10,266	34,761	83,473
Segment results	8,305	1,598	7,218	17,121
Unallocated income				1,244
Unallocated costs				(14,899)
Operating profit				3,466
Finance costs				(2,656)
Profit before taxation				810
Taxation				(43)
Profit for the period				767

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

5. Operating (loss)/profit

Operating (loss)/profit is stated after the following:

	Unaudited Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
After crediting:		
Gain on disposal of a subsidiary	**1,095**	–
After charging:		
Cost of inventories sold	**47,029**	66,352
Depreciation of fixed assets		
– owned assets	**3,050**	3,855
– assets held under finance leases	**1,898**	1,758
Amortisation of goodwill	**–**	1,308
Provision for doubtful debts	**8,774**	1,570

6. Staff costs

	Unaudited Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Wages and salaries	**2,608**	6,615
Pension costs – defined contribution plans	**93**	229
	2,701	6,844

7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the six months ended 30 September 2005. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

A subsidiary of the Company established in the PRC is subject to PRC Enterprise Income Tax ("EIT") on the taxable income as reported in its PRC statutory financial statements adjusted in accordance with relevant income tax laws. The applicable EIT rate is 33%. However, the subsidiary has tax privileges granted by the PRC Government that it is entitled to full exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years. No EIT is payable by the subsidiary as it has no taxable income for the period and is still in its tax exemption period.

The amount of taxation (credited)/charged to the condensed profit and loss account represents:

	Unaudited Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong profits tax	**0**	47
Deferred taxation *(note 14)*	**0**	(4)
	0	43

8. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to equity holders of the Company for the period under review of approximately HK$14,700,000 (for the six months ended 30 September 2004: HK$442,000 profit) and of 180,000,000 shares (2004: 180,000,000 shares) in issue during the period under review.

No diluted earnings per share is presented as there are no dilutive potential ordinary shares during the period under review.

9. Capital expenditure

	Unaudited	
	Goodwill	**Property, plant and equipment**
	HK$'000	*HK$'000*
Opening net book amount at 1 April 2005	6,538	80,839
Additions	–	140
Disposals	–	(1,026)
Disposal of a subsidiary	–	(3,501)
Depreciation charge *(note 5)*	–	(4,948)
Closing net book amount at 30 September 2005	**6,538**	**71,504**

10. Trade receivables

The ageing analysis of trade receivables (net of provision for doubtful debts) is as follows:

	Unaudited 30 September 2005	Audited 31 March 2005
	HK$'000	*HK$'000*
Current	**6,908**	11,731
30 – 60 days	**8,807**	2,567
61 – 90 days	**6,018**	3,335
91 days to 180 days	**6,948**	5,669
Over 180 days	**5,341**	8,694
	34,022	31,996

Customers are generally granted with credit terms of 30 to 90 days. Longer payment terms are granted to those customers which have good payment history and long-term business relationship with the Group.

11. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2005 *HK$'000*	Audited 31 March 2005 *HK$'000*
Current – 30 days	**3,169**	4,669
31 – 60 days	**2,971**	2,023
61 – 90 days	**3,707**	2,206
Over 90 days	**19,197**	24,459
	29,044	33,357

12. Borrowings

	Unaudited 30 September 2005 *HK$'000*	Audited 31 March 2005 *HK$'000*
Bank loans, secured	**19,778**	17,712
Other loans, secured	**23,179**	9,000
Other loans, unsecured	**2,718**	–
Trust receipt loans	**1,833**	1,960
Obligations under finance leases	**4,446**	13,481
	51,954	42,153
Less: Amounts due within one year and year and shown under current liabilities	**(26,053)**	(35,077)
	25,901	7,076

At 30 September 2005, the Group's secured bank loans (excluding finance lease liabilities) were repayable as follows:

	Unaudited 30 September 2005 *HK$'000*	Audited 31 March 2005 *HK$'000*
Within one year	**17,315**	13,613
More than one year but within two years	**987**	2,238
More than two years but within five years	**1,476**	1,861
More than five years	**–**	–
	19,778	17,712

13. Share capital

	Unaudited 30 September 2005 HK$'000	Audited 31 March 2005 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
180,000,000 ordinary shares of HK$0.1 each	**18,000**	18,000

14. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the deferred tax liabilities is as follows:

	Unaudited Six months ended 30 September 2005 HK$'000	Audited Year ended 31 March 2005 HK$'000
At the beginning of the period/year	**9,961**	10,149
Deferred taxation (credited)/charged to consolidated profit and loss account *(note 7)*	**–**	(188)
Disposal of a subsidiary	**(350)**	–
At the end of the period/year	**9,611**	9,961

Deferred tax assets are recognised for the carryforward of unused tax loss to the extent that realisation of the related tax benefit through the future taxable profits is probable.

The movement on the deferred tax assets is as follows:

	Unaudited Six months ended 30 September 2005 HK$'000	Audited Year ended 31 March 2005 HK$'000
At the beginning of the period/year	**(139)**	(315)
Deferred taxation (credited)/charged to consolidated profit and loss account *(note 7)*	**–**	176
At the end of the period/year	**(139)**	(139)

15. Contingent liabilities

At 30 September 2005, the Group had no contingent liabilities in respect of discounted bills with recourse (At 31 March 2005: HK$35,989,000).

16. Commitments under operating leases

At 30 September 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2005 *HK$'000*	Audited 31 March 2005 *HK$'000*
Within one year	**1,152**	1,205
Later than one year but not later than five years	**387**	532
	1,539	1,737

17. Capital commitments

At 30 September 2005, the Group had no capital commitments in respect of purchase of plant and equipment (At 31 March 2005: HK$2,050,000).

18. Related party transactions

Significant related party transactions during the period, which were carried out in the normal course of the Group's business with the following companies in which certain executive directors of the Company who resigned on 13 October 2005 have beneficial interest, charging at prices mutually agreed during the period under review are as follows:

		Unaudited Six month ended 30 September	
	Note	**2005 *HK$'000***	2004 *HK$'000*
Interest income			
Beautiking Investments Limited	(i)	**35**	12
Rental paid			
Beaumax Company Limited	(ii)	**114**	114
Beautiking Investments Limited	(iii), (iv) & (v)	**192**	252
Glory Motion Company Limited	(iii)	**138**	138

Notes:

(i) Amount due from Beautiking Investments Limited was unsecured and interest-bearing at 12% per annum which was charged at market rates.

(ii) One of the subsidiaries, Sun Hip Fung (JF) Printing Products Company Limited, has entered into a lease agreement with Beaumax Company Limited, to lease office space for a period of 2 years commencing 1 February 2003 at a monthly rental of HK$19,000. The lease agreement was renewed for a period of two years commencing 1 February 2005 at a monthly rental of HK$19,000. The lease was entered into on normal commercial terms.

(iii) One of the subsidiaries, New Spring Group Company Limited, has entered into lease agreements with Beautiking Investments Limited and Glory Motion Company Limited to lease office spaces for a period of 2 years commencing 1 February 2003 and 1 July 2003 at a monthly rental of HK$22,000 and HK$23,000 respectively. The lease agreement with Beautiking Investments Limited was renewed for a period of two years commencing 1 February 2005 at a monthly rental of HK$22,000. The leases were entered into on normal commercial terms.

(iv) One of the subsidiaries, New Spring Label & Packaging Limited, has entered into a lease agreement with Beautiking Investments Limited to lease office spaces for a period of 2 years commencing 1 April 2004 at a monthly rental of HK$10,000. The lease was entered into on normal commercial terms.

(v) One of the subsidiaries, Visual Products Limited, has entered into a lease agreement with Beautiking Investments Limited to lease office spaces for a period of 2 years commencing 1 April 2004 at monthly rental of HK$10,000. The lease was entered into on normal commercial terms.

19. Interim dividend

The Directors do not recommend the payment of an interim dividend for the period under review (for the six months ended 30 September 2004: Nil).