



CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

07/08 interim report

06/07

05/06

04/05

03/04

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lui Chi (*Chairman*)
Lui Shing Ming Brian (*Managing Director*)
Lui Shing Cheong
Lui Shing Chung Victor
Lung Wai Kee (resigned on 16 September 2007)

Independent Non-executive Directors

Lam Chun Kong
Lo Wing Man
Ng Lai Man Carmen

COMPANY SECRETARY

Fung Kwok Keung

QUALIFIED ACCOUNTANT

Ng Wai Li

SOLICITORS

Jennifer Cheung & Co.
Unit A, 19th Floor
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

INDEPENDENT AUDITORS

Grant Thornton
Certified Public Accountants
13th Floor
Gloucester Tower
The Landmark
15 Queen's 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

Unit 2608, Level 26
Tower 11, Metroplaza
223 Hing Fong Road
Kwai Fong, New Territories
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
4-4A Des Voeux Road Central
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Industrial and Commercial Bank of China
(Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road, Central
Hong Kong

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>

FINANCIAL HIGHLIGHTS

- The Group reported a revenue of approximately HK\$416.5 million for the six months ended 30 September 2007, representing an increase of 30.1% from approximately HK\$320 million for the same period in 2006.
- The Group's unaudited consolidated profit attributable to equity holders for the six months ended 30 September 2007 was approximately HK\$45.1 million.
- The Directors have resolved to declare an interim dividend of HK1 cent per share (2006: HK1 cent per share) for six months ended 30 September 2007.

The Board of Directors (the "Board") of Cheong Ming Investments Limited (the "Company") is pleased to present the unaudited interim financial report of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue	2	416,459	320,007
Cost of sales		(312,520)	(235,918)
Gross profit		103,939	84,089
Other operating income	5	23,286	3,322
Selling and distribution costs		(16,577)	(13,366)
Administrative expenses		(54,782)	(43,352)
Other operating expenses		(2,958)	(668)
Profit from operations	4	52,908	30,025
Finance costs	6	(1,742)	(799)
Profit before income tax		51,166	29,226
Income tax expense	7	(6,015)	(5,223)
Profit for the period		45,151	24,003
Attributable to:			
Equity holders of the Company		45,151	24,145
Minority interests		–	(142)
Profit for the period		45,151	24,003
Dividends	8	6,092	4,867
Earnings per share for profit attributable to the equity holders of the Company during the period	9		(restated)
Basic		HK8.05 cents	HK4.64 cents
Diluted		HK8.05 cents	HK4.63 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	30 September		31 March
	2007		2007
	(Unaudited)		(Audited)
Notes	HK\$'000		HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	186,263	183,941
Investment properties		19,430	19,430
Prepaid lease payments		16,272	16,472
		221,965	219,843
CURRENT ASSETS			
Properties held for sale	11	–	18,460
Inventories		52,201	72,726
Trade receivables	12	243,963	136,141
Prepayments, deposits and other receivables		13,162	14,211
Financial assets at fair value through profit or loss	13	51,358	49,756
Amount due from a related company	12	192	2,190
Cash and cash equivalents		122,440	92,385
		483,316	385,869
CURRENT LIABILITIES			
Trade payables	14	133,874	96,702
Accrued liabilities and other payables		37,087	20,398
Tax payable		11,912	13,784
Interest-bearing borrowings		45,764	46,017
		228,637	176,901
NET CURRENT ASSETS		254,679	208,968
TOTAL ASSETS LESS CURRENT LIABILITIES		476,644	428,811

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at	
	30 September		31 March
	2007		2007
	(Unaudited)		(Audited)
Notes	HK\$'000		HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	11,947		28,043
Deferred tax	5,230		4,599
	17,177		32,642
NET ASSETS	459,467		396,169
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	60,916	48,733
Reserves		392,459	324,694
Proposed dividend		6,092	18,275
		459,467	391,702
Minority interests		–	4,467
TOTAL EQUITY		459,467	396,169

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	(5,524)	9,742
INVESTING ACTIVITIES	5,342	(34,242)
FINANCING ACTIVITIES	24,777	2,202
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24,595	(22,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	54,626	89,134
CASH AND CASH EQUIVALENTS AT END OF PERIOD	79,221	66,836
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash in hand and at banks and security brokerage firms	60,929	59,519
Time deposits	61,511	47,873
	122,440	107,392
Less: Time deposits with original maturity of more than three months	(32,996)	(35,336)
Bank overdrafts	(10,223)	(5,220)
	79,221	66,836

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2007

	Equity attributable to equity holders of the Company								Minority interests	Total equity	
	Share capital	Share premium account	Contributed surplus	Asset revaluation reserve	Capital reserve	Exchange reserve	Retained profits	Proposed dividend			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	48,671	66,765	34,080	19,324	-	5	198,233	14,601	381,679	1,203	382,882
Exchange difference on consolidation	-	-	-	-	-	74	-	-	74	-	74
Net income recognised directly in equity	-	-	-	-	-	74	-	-	74	-	74
Net profit for the period	-	-	-	-	-	-	24,145	-	24,145	(142)	24,003
Total recognised income and expense for the period	-	-	-	-	-	74	24,145	-	24,219	(142)	24,077
Contribution by minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	23	23
Final 2006 dividend paid	-	-	-	-	-	-	-	(14,601)	(14,601)	-	(14,601)
Proposed interim 2007 dividend	-	-	-	-	-	-	(4,867)	4,867	-	-	-
At 30 September 2006 (Unaudited)	48,671	66,765	34,080	19,324	-	79	217,511	4,867	391,297	1,084	392,381
At 1 April 2007	48,733	66,843	34,080	22,079	-	248	201,444	18,275	391,702	4,467	396,169
Exchange difference on consolidation	-	-	-	-	-	(347)	-	-	(347)	-	(347)
Reserve realised on disposal of land and buildings	-	-	-	(2,878)	-	-	2,878	-	-	-	-
Reversal of deferred tax upon disposal of land and buildings	-	-	-	(374)	-	-	475	-	101	-	101
Net income and expenses recognised directly in equity	-	-	-	(3,252)	-	(347)	3,353	-	(246)	-	(246)
Net profit for the period	-	-	-	-	-	-	45,151	-	45,151	-	45,151
Total recognised income and expense for the period	-	-	-	(3,252)	-	(347)	48,504	-	44,905	-	44,905
Issue of shares	12,183	30,458	-	-	-	-	-	-	42,641	-	42,641
Share issuance expenses	-	(1,506)	-	-	-	-	-	-	(1,506)	-	(1,506)
Acquisition of minority interests in a subsidiary	-	-	-	-	-	-	-	-	-	(4,467)	(4,467)
Transfer to capital reserve	-	-	-	-	9,900	-	(9,900)	-	-	-	-
Final 2007 dividend paid	-	-	-	-	-	-	-	(18,275)	(18,275)	-	(18,275)
Proposed interim 2008 dividend	-	-	-	-	-	-	(6,092)	6,092	-	-	-
At 30 September 2007 (Unaudited)	60,916	95,795	34,080	18,827	9,900	(99)	233,956	6,092	459,467	-	459,467

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 ("HKAS") 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 2007 except that the Group has adopted certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include the relevant new HKASs and Interpretations issued by HKICPA which are first effective on 1 April 2007 and relevant to the Group. The adoption of these new and revised HKFRSs did not result in any significant changes in the Group's accounting policies.

The Group has not adopted early or applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors are currently assessing the impact on the Group's operation but are not yet in a position to state whether they would have material financial impact.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ²
HK(IFRIC) – Int 14	HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

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

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment. The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide.

Each of the Group's business segment represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- 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;
- 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
- the commercial printing segment provides financial printing, digital printing and other related services.

Business segments

The following table presents revenue and results information for the Group's business segments:

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Commercial printing		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(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
Segment revenue:										
Sales to external customers	332,941	250,594	46,723	41,283	36,795	28,130	-	-	416,459	320,007
Intersegment sales	3,503	-	377	249	27	27	(3,907)	(276)	-	-
Total	336,444	250,594	47,100	41,532	36,822	28,157	(3,907)	(276)	416,459	320,007
Segment results	32,442	15,442	10,852	7,313	6,586	5,620	-	-	49,880	28,375
Interest income									3,028	1,650
Unallocated expenses									-	-
Profit from operations									52,908	30,025
Finance costs									(1,742)	(799)
Profit before income tax									51,166	29,226
Income tax expense									(6,015)	(5,223)
Profit for the period									45,151	24,003

3. Segmental information (continued)

Geographical segments

The following table presents revenue information for the Group's geographical segments:

	Hong Kong		Elsewhere in the People's Republic of China (the "PRC")		Europe and other countries		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	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	321,032	249,462	24,120	17,250	71,307	53,295	416,459	320,007

4. Profit from operations

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from operations is arrived at after charging:		
Amortisation of prepaid lease payments	220	187
Depreciation of property, plant and equipment	12,856	13,259
Employee wages and salary (including directors' emoluments)	70,372	58,256
Impairment of goodwill arising from the acquisition of additional interests in a subsidiary (included in other operating expenses)	2,958	–

5. Other operating income

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	3,028	1,650
Dividend income from listed investments	21	196
Rental income	1,051	1,099
Gain on disposal of property, plant and equipment	14,959	218
Gain on disposal of investments	2,691	–
Fair value gain on financial assets at fair value through profit or loss	–	141
Others	1,536	18
	23,286	3,322

6. Finance costs

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	1,266	799
Interest on bank loan not wholly repayable within five years	476	–
	1,742	799

7. Income tax expense

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong profits tax	4,810	4,004
Overseas profits tax	475	744
Deferred tax	730	475
	6,015	5,223

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the six months ended 30 September 2007. 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	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interim dividend of HK1 cent (2006: HK1 cent) per ordinary share	6,092	4,867

The directors have resolved to declare an interim dividend of HK1 cent per share (2006: HK1 cent per share) for the six months ended 30 September 2007, payable on or before 30 January 2008 to shareholders whose names appear on the Register of Members of the Company on 25 January 2008. The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date but reflected as an appropriation of retained profits for the period ended 30 September 2007.

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 2007 of approximately HK\$45,151,000 (2006: HK\$24,145,000) and on the weighted average of 560,739,213 (2006: 520,755,456 (restated)) ordinary shares in issue as adjusted to reflect the rights issue during the period and as if the event had occurred at the beginning of the earlier period reported.

The calculation of diluted earnings per share for the period ended 30 September 2007 is based on the Group's unaudited consolidated profit attributable to equity holders of the Company of approximately HK\$45,151,000 (2006: HK\$24,145,000). The weighted average number of ordinary shares used in the calculation is 560,739,213 (2006: 521,122,582 (restated)) ordinary shares representing the ordinary shares in issue as adjusted to reflect the rights issue during the period and as if the event had occurred at the beginning of the earlier period reported as used in the basic earnings per share calculation, plus, the weighted average of nil (2006: 367,126 (restated)) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

10. Movement in property, plant and equipment

During the period, the Group spent approximately HK\$15,363,000 on plant and machinery in order to upgrade its manufacturing capacities.

11. Property held for sale

	As at	
	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Property held for sale	–	18,460

In March 2007, the Group entered into an agreement for the disposal of land and buildings with a carrying amount of HK\$18,460,000 at 31 March 2007. The transaction was completed in May 2007 with total consideration settled and property titles changed. These land and buildings were stated at the lower of its carrying amount and fair value less costs to sell. Details of such transaction are set out in "Disposal of Properties" in "Management Discussion and Analysis".

12. Trade receivables and amount due from a related company

	As at	
	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Trade receivables	248,845	141,010
Less: provision for impairment of receivables	(4,882)	(4,869)
Trade receivables – net	243,963	136,141
Amount due from a related company	192	2,190
	244,155	138,331

Trade receivables generally have credit terms of 30 to 120 days.

The amount due from a related company is trading in nature. At 30 September 2007, the aging analysis of the trade receivables including amount due from a related company, based on invoiced date and net of provisions, is as follows:

	As at	
	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current to 30 days	85,538	106,173
31 to 60 days	63,595	11,005
61 to 90 days	57,796	5,202
Over 90 days	37,226	15,951
	244,155	138,331

13. Financial assets at fair value through profit or loss

	As at	
	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong listed equity investments	636	1,222
Hong Kong unlisted equity investments	–	5,481
Overseas listed equity investments	914	4,642
Overseas unlisted equity investments	26,623	31,224
Overseas unlisted debt investments	11,840	2,347
Hong Kong unlisted debt investments	6,253	–
Overseas unlisted linked notes	3,120	2,458
Overseas unlisted currency notes	1,972	2,382
	51,358	49,756

14. Trade payables

	As at	
	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade payables	133,874	96,702

At 30 September 2007, the aging analysis of the trade payables based on invoiced date, is as follows:

	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current to 30 days	39,954	51,264
31 to 60 days	37,326	17,310
61 to 90 days	28,416	11,506
Over 90 days	28,178	16,622
	133,874	96,702

15. Share capital

	Number	HK\$'000
	of shares	
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31 March and 30 September 2007	800,000,000	80,000
	Number	HK\$'000
	of shares	
Issued and fully paid:		
At 1 April 2006	486,706,061	48,671
Issue of shares arising from share options exercised	625,000	62
At 31 March and 1 April 2007	487,331,061	48,733
Issue of new shares arising from rights issue	121,832,765	12,183
At 30 September 2007	609,163,826	60,916

During the period under review, the Group has successfully raised approximately HK\$41.1 million (net of share issuance expenses) by way of a rights issue of 121,832,765 shares in the proportion of one rights share for every four shares held on the 20 June 2007 at the issue price of HK\$0.35 per rights share. Please refer to "Capital Structure" in "Management Discussion and Analysis" for further details.

16. Banking facilities

At 30 September 2007, general banking facilities available to the Group amounted to HK\$228,123,000 (31 March 2007: HK\$250,952,000). The amount of banking facilities utilised by the Group amounted to HK\$60,914,000 as at 30 September 2007 (31 March 2007: HK\$75,680,000).

At 30 September 2007, certain of the Group's properties amounting to HK\$37,852,000 (31 March 2007: HK\$33,261,000) were pledged to secure general banking facilities granted to the Group.

17. Capital commitments

	30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Contracted for acquisition of property, plant and equipment	2,533	1,130
Investment in a subsidiary in the PRC	–	3,803
	2,533	4,933

18. Related party transactions

The following transactions were carried out with a related party, which is a minority shareholder of a subsidiary:

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Commission	3,789	2,808
Sales of goods	1,948	1,220
	5,737	4,028

19. Acquisition of additional interest in a subsidiary

- (a) During the period under review, the Group completed the acquisition of 45% of equity interest in 上海發絲達印刷有限公司 (for identification purpose only, in English, Shanghai Fastabs Printing Company Limited ("Shanghai Fastabs")) from Fastabs Limited, a limited company with register address in the United Kingdom, at a consideration of £480,000 (approximately HK\$7,369,000) in cash. Shanghai Fastabs is an equity joint venture enterprise established in the PRC and was, immediately prior to the acquisition, 55% owned by one of the wholly-owned subsidiaries of the Group as at 31 March 2007. The transaction was completed in June 2007. As a result of the additional acquisition, Shanghai Fastabs has become a wholly owned subsidiary of the Group.

Further information about the additional acquisition is as follows:

	HK\$'000
Net assets acquired	4,467
Goodwill arising from the acquisition of additional interest in a subsidiary	2,958
<hr/>	
Purchases consideration satisfied by cash	7,425
<hr/>	
(b) Goodwill	HK\$'000
At 1 April 2007	–
Goodwill arising from the acquisition of additional interest in a subsidiary	2,958
Impairment of goodwill	(2,958)
<hr/>	
At 30 September 2007	–
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Goodwill on the acquisition was determined based on the expectation of future growth in earnings of the subsidiary acquired. However, due to certain changes in the business strategies of the Group subsequent to the period ended 30 September 2007, management considered that future earnings growth of the subsidiary cannot be ascertained. As a result, management considered the goodwill is unlikely to be recoverable and impairment loss is recognised in the income statement of the period.

20. Post Balance Sheet Event

On 30 November 2007, with a view to centralising manufacturing capacity in Guangdong province to achieve economies of scale, the Group entered into a sales and purchase agreement with a third party ("Purchaser") to dispose of the entire paid-up capital of Shanghai Fastabs, for an aggregate consideration of RMB13 million (equivalent to approximately HK\$13.39 million). The completion of the transaction is conditional upon the Purchaser's satisfaction of due diligence exercises conducted, true and accurate warranties represented, necessary consent and approvals from relevant PRC authorities obtained; and the Group's submission of Shanghai Fastabs' management accounts as at 30 November 2007 on or before 17 December 2007 to the Purchaser.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period under review, the Group achieved a revenue of approximately HK\$416.5 million for the six months ended 30 September 2007, representing an increase of approximately 30.1% from approximately HK\$320.0 million compared with the corresponding period ended 30 September 2006. All products segments achieved consistent revenue growth arising from encouraging global demand during the period.

The advent of challenges from inflationary pressure in rising freight, fuel and material costs, appreciation of Renminbi currency, and tightening of PRC labour regulations, for the six months ended 30 September 2007, the Group recorded cost of sales amounting to approximately HK\$312.5 million, representing an increase of 32.5% from approximately HK\$235.9 million for the same period in 2006.

Selling and distribution costs mainly comprised commission, distribution, import & export declaration and entertainment expenses. In line with the business strategy to diversify customer base into various geographical locations, the Group undertakes to engage additional international sales representatives to add values to customers' business demand. For the six months ended 30 September 2007, the Group reported aggregate selling and distribution costs amounted to approximately HK\$16.6 million which increased by approximately 24.0% over the same period of 2006.

Administrative expenses comprised mainly salary and staff benefits, depreciation and amortisation and other expenses. For the six months ended 30 September 2007, administrative expenses increased by approximately 26.4% to approximately HK\$54.8 million from the corresponding period in 2006.

The Group is alert with the fueling growth in cost of sales and operating costs caused by consistent appreciation of Renminbi currency. Recording further erosion of operating margin, vehement emphasis has been placed to prioritise cost control and cost effectiveness. To mitigate the downside effect on profit margin, not only has the Group strived to transfer part of the cost to customers, but also adopted measures in conversion of the PRC fixed manufacturing and operating costs into flexible and variable components. Approval of capital expenditure has to be justified with synergy and commercial value.

The Group's unaudited consolidated profit attributable to equity holders for the six months ended 30 September 2007 was approximately HK\$45.1 million (2006: profit of HK\$24 million), of which approximately HK\$15 million was derived from the gain on disposal of commercial office units situated at suites 2604 to 2611, level 26, Metroplaza, Tower II, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong.

OPERATIONS REVIEW

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\$332.9 million from this major business category, which accounted for 79.9% of the Group's total revenue was increased by about 32.9% compared to that of the corresponding period. This was mainly due to improved global economy in the first half of the year and the Group captured additional sale amount from existing business lines through diversifying into value added products.

The Group's business in the manufacture of hangtags, labels, shirt paper boards and plastic bags continued to grow within the highly competitive operating environment. For the six months ended 30 September 2007, the Group's total revenue for the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK\$36.8 million, which represented an increase of about 30.8% as compared to that of the last corresponding period of approximately HK\$28.1 million.

The prosperity of the Hong Kong financial market promotes listed companies' corporate finance activities and offers the Group's commercial printing business with increasing numbers of commercial opportunities in provision of design, printing and translation of brochure and circular services. The expansion of business volume has superseded the business drawback arising from changes in statutory requirement which provides listed companies with options to have announcements to be either advertised in newspapers or hosted in websites. The directors are in view that the business segment will maintain its market share in the industry.

For the six months ended 30 September 2007, the total revenue of the Group's commercial printing business was approximately HK\$46.7 million, which accounts for about 11.2% of the Group's total revenue. For the corresponding six months ended 30 September 2006, the total revenue of the Group's commercial printing business was approximately HK\$41.3 million and accounted for about 12.9% of the Group's total revenue.

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 2007 amounted to approximately HK\$122.4 million. The Group's gearing ratio as at 30 September 2007 was 12.5% (31 March 2007: 18.9%), based on the short term and long term interest bearing bank borrowings of approximately HK\$57.7 million (31 March 2007: HK\$74.1 million) and the shareholders' fund of HK\$459.5 million (31 March 2007: HK\$391.7 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 of the Group.

CAPITAL STRUCTURE

During the period under review, the Group has successfully raised about HK\$41.1 million (net of share issuance expenses) by way of a rights issue of 121,832,765 shares in the proportion of one rights share for every four shares held on the 20 June 2007, at the issue price of HK\$0.35 per rights share.

The rights issue enabled the Company to raise additional capital to strengthen its financial position and enhanced flexibility in its business strategy implementation. The net proceeds of the rights issue of HK\$41.1 million had been used to repay bank indebtedness of approximately HK\$15 million, in which HK\$9.6 million was applied to extinguish a mortgage loan and HK\$5.5 million was used to repay short term revolving bank loans. Approximately HK\$10 million was applied to expand production facilities of the Group in Dongguan and Shenzhen, the PRC, of which comprised of HK\$8.8 million expenditure in acquisition of plant and machineries in Dongguan factories and Shenzhen factories as well as approximately HK\$2 million spent in construction of environmental protection structures in Dongguan factories and commercial building renovation in Shenzhen office. The balance of approximately HK\$15.2 million was utilised as general working capital of the Group.

DISPOSAL OF PROPERTIES

To cope with its business strategy in exercising stringent cost control measures as well as re-organising the workflow between the Hong Kong office and Shenzhen office, on 7 March 2007, the Group entered into the agreement with a third party in relation to the disposal of certain properties which were commercial office units situated at Suites 2604 to 2611, Level 26, Metroplaza, Tower II, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong, (the "Properties") for an aggregate consideration of HK\$33.4 million.

Upon completion, the Group entered into a tenancy agreement in respect of the Properties with the purchaser for a fixed term of two years commencing from 21 May 2007 to 20 May 2009 at a monthly rental of HK\$174,400, exclusive of air-conditioning charge, management fee and government rates and rent. On 21 May 2007, the disposal transaction was completed, the aggregated consideration was totally settled and the subject tenancy agreement was entered into.

PROSPECTS

In anticipation of subsisting severe price competition within the printing industry, continuous labour and raw material costs rising pressure, and consistent appreciation of the Renminbi currency, implementing the business strategy of exercising stringent cost controls and cautious business expansion scheme will add values to the Group's business in the current volatile economic conditions. The Group re-centralises its resources and production capacity in the Guangdong province with a view to strengthening its cost effectiveness controls through economies of scale. Recent observation reveals that the United States economic indicators are declining towards recession and the current safety issues concerning China sourced consumer products has intensified and accelerated the uprising trend in the Group's operating costs in the areas of product quality control and product inspections.

Looking forward, the Group is facing with additional risk factors in the business. The sub-prime mortgage crisis and trade disputes in relation to safety issues are likely to have negative impacts to the Group's sale growth and trade credit risk. Accordingly, the management expects a slow down in turnover growth and adopts cautious approach in amidst an uncertain global economy and the rapid increase of operating costs in the second half year of 2007.

To tackle the challenges and remain to be competitive in the industry, gearing on its long established foundations, the Directors are endeavored to closely monitor cost effectiveness, strengthen customer loyalty through implementing value added activities targeted to satisfy specific customer needs. In view of the deteriorating business environment in the printing industry, the Group will continue to explore other business opportunities for diversification. The management will prudently evaluate these opportunities in the best interest of the shareholders.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1 per share (2006: HK1 cent per share) for the six months ended 30 September 2007 payable on or before Wednesday, 30 January 2008 to shareholders whose names appear on the Register of Members of the Company on Friday, 25 January 2008.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 23 January 2008 to Friday, 25 January 2008 (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 in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, 22 January 2008.

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 2007, 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 Issuers and which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO were as follows:

(i) Directors' interests in shares

(A) Long position in the shares of the Company

Name of director	Number of shares held				Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	
Mr. Lui Chi	–	315,041,286 (Note 1)	315,041,286 (Note 1)	315,041,286	51.72%
Mr. Lui Shing Ming Brian	5,468,750	–	315,041,286 (Note 2)	320,510,036	52.61%
Mr. Lui Shing Cheong	3,906,250	–	315,041,286 (Note 2)	318,947,536	52.36%
Mr. Lui Shing Chung Victor	3,906,250	1,562,500 (Note 3)	315,041,286 (Note 2)	320,510,036	52.61%

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

(i) Directors' interests in shares (Continued)

(A) Long position in the shares of the Company (Continued)

Notes:

- (1) Mr. Lui Chi is interested in 315,041,286 shares of the Company by virtue of (i) his being a founder of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor, Lui Shing Cheong and other family members of Mr. Lui Chi; and (ii) his spouse is also a founder of the discretionary trust.
- (2) The 315,041,286 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 (formerly known as "Trident Corporate Services (B.V.I.) Limited") as trustee of a discretionary trust, the discretionary objects of which have been disclosed in Note (1) above. Mr. Lui Chi and his spouse, Madam Ng Sze Mui are the founders of the discretionary trust. Each of Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong further owns approximately 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.
- (3) The 1,562,500 shares are owned by the spouse of Mr. Lui Shing Chung Victor.

In addition to the above, certain directors have non-beneficial personal equity interest in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2007, 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 for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

(ii) Directors' rights to acquire shares or debentures

Save as disclosed herein, at no time during the period were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any directors or their respective spouse or children under 18 years of age, 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 or their associates to acquire such rights in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, 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 shareholder	Long/short position	Capacity	Number of ordinary shares/ underlying shares held	Percentage of issued capital
Madam Ng Sze Mui	Long	Founder of a discretionary trust	315,041,286 (Note 1)	51.72%
Madam Ng Shuk Fong Aman	Long	Beneficial owner and interest of spouse	320,510,036 (Note 2)	52.61%
Harmony Link Corporation	Long	Beneficial owner	315,041,286	51.72%
The Lui Family Company Limited	Long	Trustee	315,041,286 (Note 3)	51.72%
Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited")	Long	Trustee	315,041,286 (Note 3)	51.72%

Notes:

- (1) Interests in these shares represent interests held by Madam Ng Sze Mui by virtue of her being a founder of a discretionary trust which has interests in 315,041,286 shares, details of the trust have also been disclosed in Note (1) under the section "Directors' interests in shares – Long position in the shares of the Company" above.
- (2) Interests in these shares include interests in 1,562,500 shares held by Madam Ng Shuk Fong Aman personally and interests in 318,947,536 shares through interest of her spouse, Mr. Lui Shing Chung Victor as disclosed in Note (2) under the section "Directors' interest in shares – Long position in the shares of the Company" above.
- (3) The two references to 315,041,286 shares relate to the same block of shares in the Company. Each of The Lui Family Company Limited as trustee of The Lui Unit Trust and Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited") as trustee of a discretionary trust is taken to have a duty of disclosure in relation to the interests of Harmony Link Corporation in the said shares of the Company as described in Note (2) under the section "Directors' interests in shares – Long position in the shares of the Company" above.

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Save as disclosed above, as at 30 September 2007, 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 10% 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.

PARTICULARS OF DIRECTORS OF THE COMPANY WHO WERE DIRECTORS/EMPLOYEES OF SUBSTANTIAL SHAREHOLDERS

Messrs. Lui Chi, Lui Shing Ming Brian, Lui Shing Cheong and Lui Shing Chung Victor are directors of Harmony Link Corporation and The Lui Family Company Limited.

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. All the share options, which had been granted under the Old Scheme had either been exercised or lapsed on 26 December 2006. As at 30 September 2007, no share options had been granted under the New Scheme since its adoption.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which any of the Company Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 30 September 2007 or at any time during such period.

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 2007, 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 2007, 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.

EXCHANGE RATE EXPOSURE

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. During the six months ended 30 September 2007, 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. Further with the natural hedging of the revenue and cost denominated in Renminbi, the Group's foreign exchange exposure in Renminbi was insignificant. No hedging for foreign currency transactions has been carried out during the period under review.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2007, the Group had an available workforce of 3,624, of which 3,417 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 (all independent non-executive directors). 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 2007.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2007 have been reviewed by the Audit Committee, and 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

Mr. Lung Wai Kee resigned from the Board of Directors of the Group on 16 September 2007, I, on behalf of the Board, would like to thank Mr. Lung for his contributions to the Group over the past years.

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 Chi

Chairman

Hong Kong, 19 December 2007