

08/09

Interim Report



CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

CONTENTS

	page
Corporate Information	2
Independent Review Report	3
Condensed Consolidated Income Statement	5
Condensed Consolidated Balance Sheet	6
Condensed Consolidated Cash Flow Statement	8
Condensed Consolidated Statement of Changes in Equity	9
Notes to the Condensed Interim Financial Statements	10
Management Discussion and Analysis	19
Dividend and Book Closure	21
Directors' Interest	22
Substantial Shareholders' Interest	23
Corporate Governance	25

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Lam Chun Kong
Lo Wing Man
Ng Lai Man, Carmen

COMPANY SECRETARY

Ong King Keung

QUALIFIED ACCOUNTANT

Ng Wai Li, Adrian

SOLICITORS

Jennifer Cheung & Co.
Chiu & Partners

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 II, 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
The Bank of East Asia, Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited
The Hongkong and Shanghai Banking
Corporation Limited

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

STOCK CODE

1196

COMPANY WEB SITE

<http://www.cheongming.com>

INDEPENDENT REVIEW REPORT



Member of Grant Thornton International Ltd

To the Board of Directors of Cheong Ming Investments Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 5 to 18 which comprise the condensed consolidated balance sheet of Cheong Ming Investments Limited as of 30 September 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34.

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

Scope of Review

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

Conclusion

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

Grant Thornton

Certified Public Accountants

13th Floor, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

5 December 2008

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 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	2	327,585	416,459
Cost of sales		(247,915)	(312,520)
Gross profit		79,670	103,939
Other operating income	5	4,174	23,286
Selling and distribution costs		(13,656)	(16,577)
Administrative expenses		(49,862)	(54,782)
Other operating expenses		(15,043)	(2,958)
Profit from operations	4	5,283	52,908
Finance costs	6	(1,137)	(1,742)
Profit before income tax		4,146	51,166
Income tax expense	7	(2,681)	(6,015)
Profit for the period		1,465	45,151
Attributable to:			
Equity holders of the Company		1,465	45,151
Dividends	8	6,092	6,092
Earnings per share for profit attributable to the equity holders of the Company during the period	9		
Basic		HK0.24 cent	HK8.05 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at	
		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	181,020	187,132
Investment properties		–	460
Prepaid lease payments		15,869	16,071
		196,889	203,663
CURRENT ASSETS			
Properties held for sale	11	–	24,632
Inventories		54,152	65,415
Trade receivables	12	187,078	109,233
Prepayments, deposits and other receivables		15,454	15,188
Financial assets at fair value through profit or loss	13	81,862	93,975
Cash and cash equivalents		131,836	116,166
		470,382	424,609
CURRENT LIABILITIES			
Trade payables	14	101,020	78,307
Accrued liabilities and other payables		33,182	28,944
Interest-bearing borrowings		48,502	23,687
Tax payable		12,144	9,828
		194,848	140,766
NET CURRENT ASSETS		275,534	283,843
TOTAL ASSETS LESS CURRENT LIABILITIES		472,423	487,506

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	As at	
		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		13,750	17,837
Deferred tax		7,658	7,961
		21,408	25,798
NET ASSETS			
		451,015	461,708
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	60,916	60,916
Reserves		384,007	388,609
Proposed dividend		6,092	12,183
TOTAL EQUITY			
		451,015	461,708

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2008	2007
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	(25,400)	(5,524)
INVESTING ACTIVITIES	20,455	5,342
FINANCING ACTIVITIES	18,772	24,777
<hr/>		
INCREASE IN CASH AND CASH EQUIVALENTS	13,827	24,595
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	115,620	54,626
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(113)	–
<hr/>		
CASH AND CASH EQUIVALENTS AT END OF PERIOD	129,334	79,221
<hr/>		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash in hand and at banks and security brokerage firms	54,289	60,929
Time deposits	77,547	61,511
<hr/>		
	131,836	122,440
Less: Time deposits with original maturity of more than three months	–	(32,996)
Bank overdrafts	(2,502)	(10,223)
<hr/>		
	129,334	79,221
<hr/>		

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2008

	Equity attributable to equity holders of the Company									Minority interests	Total equity
	Share			Asset			Retained profits	Proposed dividend	Total		
	Share capital	premium account	Contributed surplus	revaluation reserve	Capital reserve	Exchange reserve					
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 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)
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
At 1 April 2008	60,916	95,795	34,080	30,894	9,900	(780)	218,720	12,183	461,708	-	461,708
Exchange difference on consolidation	-	-	-	-	-	(113)	-	-	(113)	-	(113)
Reserve realised on disposal of land and buildings	-	-	-	(238)	-	-	238	-	-	-	-
Reversal of deferred tax upon disposal of land and buildings	-	-	-	(138)	-	-	138	-	-	-	-
Deferred tax credit arising from change of tax rate	-	-	-	138	-	-	-	-	138	-	138
Net income and expenses recognised directly in equity	-	-	-	(238)	-	(113)	376	-	25	-	25
Net profit for the period	-	-	-	-	-	-	1,465	-	1,465	-	1,465
Total recognised income and expense for the period	-	-	-	(238)	-	(113)	1,841	-	1,490	-	1,490
Final 2008 dividend paid	-	-	-	-	-	-	-	(12,183)	(12,183)	-	(12,183)
Interim 2009 dividend	-	-	-	-	-	-	(6,092)	6,092	-	-	-
At 30 September 2008 (Unaudited)	60,916	95,795	34,080	30,656	9,900	(893)	214,469	6,092	451,015	-	451,015

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 Financial Reporting Standards ("HKFRSs") 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 2008 except that the Group has adopted certain new or amended HKFRSs, issued by HKICPA which are first effective for accounting periods beginning on or after 1 April 2008 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in any significant changes in the Group's accounting policies.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 1 (Revised) (Amendment)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 (Amendment)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items ³
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combination ³
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK (IFRIC) – Interpretation 13	Customer Loyalty Programmes ²
HK (IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate ¹
HK (IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

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

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 October 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 For the six months ended 30 September		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags For the six months ended 30 September		Commercial printing For the six months ended 30 September		Eliminations For the six months ended 30 September		Consolidated For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	274,294	332,941	14,533	36,795	38,758	46,723	-	-	327,585	416,459
Intersegment sales	7,331	3,503	95	27	2,820	377	(10,246)	(3,907)	-	-
Total	281,625	336,444	14,628	36,822	41,578	47,100	(10,246)	(3,907)	327,585	416,459
Segment results	3,388	34,228	2,532	6,586	9,365	10,852	-	-	15,285	51,666
Interest income									1,949	3,028
Unallocated expenses									(11,951)	(1,786)
Profit from operations									5,283	52,908
Finance costs									(1,137)	(1,742)
Profit before income tax									4,146	51,166
Income tax expense									(2,681)	(6,015)
Profit for the period									1,465	45,151

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")		United Kingdom		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		For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	248,466	321,032	15,198	24,120	50,768	58,288	13,153	13,019	327,585	416,459

4. Profit from operations

	For the six months ended 30 September 2008 (Unaudited) HK\$'000		2007 (Unaudited) HK\$'000	
Profit from operations is arrived at after charging:				
Amortisation of prepaid lease payments		202		220
Depreciation of property, plant and equipment		10,828		12,856
Staff costs (including directors' emoluments)		62,388		70,372
Impairment of goodwill arising from the acquisition of additional interests in a subsidiary (included in other operating expenses)		–		2,958
Allowance for impairment				
– trade receivables		1,804		–
– other receivables		1,228		–
Fair value loss on financial assets at fair value through profit or loss		10,340		1,786
Loss on disposal of financial assets at fair value through profit or loss		1,611		–

5. Other operating income

	For the six months ended 30 September 2008 (Unaudited) HK\$'000		2007 (Unaudited) HK\$'000	
Interest income		1,949		3,028
Dividend income from listed investments		157		21
Gross rental income from investment properties		861		1,051
Gain on disposal of properties held for sale		–		14,959
Gain on disposal of property, plant and equipment		134		–
Gain on disposal of financial assets at fair value through profit or loss		–		2,691
Others		1,073		1,536
		4,174		23,286

6. Finance costs

	For the six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	818	1,266
Interest on bank loan not wholly repayable within five years	319	476
	1,137	1,742

7. Income tax expense

	For the six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The tax charge comprises:		
Current tax – Hong Kong	2,813	4,810
Current tax – overseas	33	475
	2,846	5,285
Deferred tax (credit)/charge	(165)	730
	2,681	6,015

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the six months ended 30 September 2008. 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK1 cent (2007: HK1 cent) per ordinary share	6,092	6,092

The directors have resolved to declare an interim dividend of HK1 cent per share (2007: HK1 cent per share) for the six months ended 30 September 2008, payable on or before 15 January 2009 to shareholders whose names appear on the Register of Members of the Company on 6 January 2009. 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 2008.

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 2008 of approximately HK\$1,465,000 (2007: HK\$45,151,000) and on the weighted average of 609,163,826 (2007: 560,739,213) ordinary shares in issue.

No diluted earnings per share has been presented as there had been no dilutive potential shares in both periods of 2008 and 2007.

10. Movement in property, plant and equipment

During the period, the Group spent approximately HK\$4,361,000 on plant and machinery in order to upgrade its manufacturing capacities.

11. Properties held for sale

	As at	
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Properties held for sale	–	24,632

On 2 June 2008, the Group has entered into an agreement to sell the properties held for sales with Mr. Lui Shing Ming, an executive director of the Company for an aggregate consideration of HK\$24,740,000. Details of such are set out in note 19 to the interim financial statements.

12. Trade receivables

	As at	
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	193,720	114,189
Less: Allowance for impairment of receivables	(6,642)	(4,956)
	187,078	109,233

Trade receivables generally have credit terms of 30 to 90 days (31 March 2008: 30 to 120 days).

At 30 September 2008, the aging analysis of the trade receivables based on invoiced date and net of allowance, is as follows:

	As at	
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current to 30 days	64,647	74,569
31 to 60 days	48,161	8,047
61 to 90 days	47,156	6,280
Over 90 days	27,114	20,337
	187,078	109,233

13. Financial assets at fair value through profit or loss

	As at	
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong unlisted currency notes	4,657	–
Hong Kong unlisted linked notes	13,232	26,926
Hong Kong listed equity investments	6,031	2,841
Hong Kong unlisted debt investments	4,854	4,353
Overseas listed equity investments	1,903	2,944
Overseas unlisted equity investments	13,550	15,500
Overseas unlisted debt investments	6,705	3,664
Overseas unlisted linked notes	4,869	8,262
Overseas unlisted currency notes	26,061	29,485
	81,862	93,975

14. Trade payables

	30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Trade payables	101,020	78,307

At 30 September 2008, the aging analysis of the trade payables based on invoiced date, is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Current to 30 days	28,241	28,806
31 to 60 days	21,002	13,605
61 to 90 days	24,145	10,798
Over 90 days	27,632	25,098
	101,020	78,307

15. Share capital

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
609,163,826 ordinary shares of HK\$0.10 each	60,916	60,916

16. Banking facilities

At 30 September 2008, general banking facilities available to the Group amounted to HK\$297,900,000 (31 March 2008: HK\$311,378,000). The amount of banking facilities utilised by the Group amounted to HK\$63,773,000 as at 30 September 2008 (31 March 2008: HK\$44,850,000).

At 30 September 2008, certain of the Group's properties amounting to HK\$11,391,000 (31 March 2008: HK\$46,545,000) were pledged to secure general banking facilities granted to the Group.

17. Capital commitments

	30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Acquisition of property, plant and equipment – contracted for	621	430

18. Operating lease commitments

	As at			
	30 September 2008		31 March 2008	
	Land and buildings HK\$'000	Other assets HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000
Within one year	10,868	512	7,201	492
In the second to fifth years, inclusive	24,824	1,080	10,235	1,436
After five years	14,386	–	17,626	–
	50,078	1,592	35,062	1,928

19. Related party transactions

Saved as disclosed elsewhere in the interim financial statements, the following transactions were carried out with the related parties:

	For the six months ended 30 September 2008 (Unaudited) HK\$'000		2007 (Unaudited) HK\$'000
i) With a former minority shareholder of a subsidiary			
Commission	–		3,789
Sales of goods	–		1,948

19. Related party transactions (continued)

- ii) On 2 June 2008, Capital Asset Management Limited and Cheong Ming Press Factory Limited (“Vendors”) entered into sale and purchase agreements (“Agreements”) with Mr. Lui Shing Ming, Brian (“Purchaser”), an executive director of the Company, respectively. Pursuant to the Agreements, Vendors should sell and the Purchaser or companies nominated by him shall acquire from Vendors certain properties located in Mai Sik Industrial Building, Nos 1/11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong at an aggregated consideration of HK\$24,740,000. The aforesaid disposal was approved by independent shareholders at special general meeting on 9 July 2008. Such properties were finally disposed to two companies nominated by the Purchaser. One company is solely owned by the Purchaser and the other is owned by all existing executive directors of the Company. A loss on disposal of approximately HK\$53,000 was resulted.

20. Comparative figures

In last year, certain expenses arising on fair value changes and disposal of financial assets at fair value through profit or loss were included in segment result. In the current year, the directors consider that it is more appropriate to classify them as unallocated expenses. Accordingly, comparative figures have been adjusted in order to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activities of the Group continues to be printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, manufacture of children's novelty books, commercial printing, manufacture, trading and sale of hangtags, labels and shirt paper boards, financial printing, provision of translation services and assets management businesses. For the period under review, the Group achieved a revenue of approximately HK\$327.6 million for the six months ended 30 September 2008, representing a decrease of approximately 21.3% from approximately HK\$416.5 million compared with last year's corresponding period. Gross profit margin of the Group was slightly decreased from 25.0% of last corresponding period to 24.3%. The Group's profit attributable to equity holders was decreased by 96.7% from that of last corresponding period of approximately HK\$45.2 million, to approximately HK\$1.5 million. Such downturn was mainly resulted from a decrease in the Group's revenue during the period due to the decline in the export market and global customer demand in packaging printing as well as hangtags and labels divisions, and a fair value loss of approximately HK\$10.3 million arising principally from the Group's financial assets investments held as at 30 September 2008 in equity linked notes and listed equity investments caused by the recent adverse conditions of the global financial markets, whereas there was gain on disposal of properties held for sale of approximately HK\$15.0 million in last corresponding period of 2007.

Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children's novelty books continued to be the Group's major business. For the period under review, the Group recorded total revenue of approximately HK\$274.3 million from this major business segment, which accounted for 83.7% of the Group's total revenue and was decreased by about 17.6% compared to that of last corresponding period of approximately HK\$332.9 million. The segment result decreased from last corresponding period of HK\$34.2 million to approximately HK\$3.4 million for the six months ended 30 September 2008. Contraction of export revenue in US and Europe induced the decrease in revenue and segment result.

The Group's business in the manufacture of hangtags, labels, shirt paper boards and plastic bags retreated during the period. For the six months ended 30 September 2008, the Group's total revenue for the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK\$14.5 million, which represented a decrease of about 60.6% as compared to that of last corresponding period of approximately HK\$36.8 million. The segment result decreased from last corresponding period of HK\$6.6 million to approximately HK\$2.5 million for the six months ended 30 September 2008. The reduction in revenue and segment result were mainly due to the sliding of overseas sale orders and disposal of Shanghai Fastabs Printing Company Limited in November 2007.

The Group's business in the commercial printing sustained steadily. The revenue and segment result for the six months ended 30 September 2008 was approximately HK\$38.8 million and HK\$9.4 million, respectively, as compared to last corresponding period of HK\$46.7 million and HK\$10.9 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (Continued)

For the period under review, the selling and distribution costs, administrative expenses and other operating expenses were approximately HK\$13.7 million (2007: HK\$16.6 million), HK\$49.9 million (2007: HK\$54.8 million) and HK\$15.0 million (2007: HK\$3.0 million) respectively. The increase in other operating expenses were mainly due to the increase in fair value loss of the Group's financial assets at fair value through profit or loss caused by the recent deterioration of the global financial markets.

FINANCIAL REVIEW

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. During the period under review, the Group was financially sound. The Group's cash and bank balances and short term bank deposits as at 30 September 2008 amounted to approximately HK\$131.8 million. The Group's gearing ratio as at 30 September 2008 was 13.8% (31 March 2008: 9%), based on the short term and long term interest bearing bank borrowings of approximately HK\$62.3 million (31 March 2008: HK\$41.5 million) and the shareholders' fund of HK\$451.0 million (31 March 2008: HK\$461.7 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 requirement of the Group.

Exchange rate exposure

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. For the six months ended 30 September 2008, 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. With the natural hedging of the revenue and costs denominated in Renminbi, the Group's foreign exchange exposure was insignificant in this respect.

During the period under review, the Group had a structured forward instrument in relation to US dollars and Renminbi which was included in financial assets at fair value through profit or loss. As stipulated in the contract, the Group endured exchange loss when the exchange rate of Renminbi against US dollars fluctuates beyond certain range due to depreciation of Renminbi.

Financial guarantees and charges on assets

As at 30 September 2008, corporate guarantees amounting to approximately HK\$127.2 million were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK\$11.4 million.

CONTINGENT LIABILITIES

As at 30 September 2008, the Group had no contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (Continued)

For the period under review, the selling and distribution costs, administrative expenses and other operating expenses were approximately HK\$13.7 million (2007: HK\$16.6 million), HK\$49.9 million (2007: HK\$54.8 million) and HK\$15.0 million (2007: HK\$3.0 million) respectively. The increase in other operating expenses were mainly due to the increase in fair value loss of the Group's financial assets at fair value through profit or loss caused by the recent deterioration of the global financial markets.

FINANCIAL REVIEW

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. During the period under review, the Group was financially sound. The Group's cash and bank balances and short term bank deposits as at 30 September 2008 amounted to approximately HK\$131.8 million. The Group's gearing ratio as at 30 September 2008 was 13.8% (31 March 2008: 9%), based on the short term and long term interest bearing bank borrowings of approximately HK\$62.3 million (31 March 2008: HK\$41.5 million) and the shareholders' fund of HK\$451.0 million (31 March 2008: HK\$461.7 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 requirement of the Group.

Exchange rate exposure

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. For the six months ended 30 September 2008, 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. With the natural hedging of the revenue and costs denominated in Renminbi, the Group's foreign exchange exposure was insignificant in this respect.

During the period under review, the Group had a structured forward instrument in relation to US dollars and Renminbi which was included in financial assets at fair value through profit or loss. As stipulated in the contract, the Group endured exchange loss when the exchange rate of Renminbi against US dollars fluctuates beyond certain range due to depreciation of Renminbi.

Financial guarantees and charges on assets

As at 30 September 2008, corporate guarantees amounting to approximately HK\$127.2 million were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK\$11.4 million.

CONTINGENT LIABILITIES

As at 30 September 2008, the Group had no contingent liabilities.

DISPOSAL OF PROPERTIES

For the purpose of redeploying its assets and realising a major portion of its investment in properties, on 2 June 2008, the Group entered into the agreements with Mr. Lui Shing Ming Brian, a connected person of the Company, in relation to the disposal of certain units and car parks located at Mai Sik Industrial Building, Nos. 1/11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong, for an aggregate consideration of approximately HK\$24.7 million. The disposal transaction was completed in July 2008 and the aggregated consideration was totally settled. For details, please refer to the circular dated 23 June 2008 and note 19 to the interim financial statements.

PROSPECTS

The vehement contraction of the United States and European economies nourishes tough business environment within the printing industry. The Group contemplates at the affluence of cash position to overcome these special economic situation and credit crunch effect by adoption of various defensive measures. The directors aim to reduce the financial assets portfolio at several stages for the purpose of mitigating investment risk and enhancing liquidity stance. Credit amount granted to customers are under cautious management review and additional resources are diverted to contain the recoverability of trade receivables. Stringent inventory policies have been simultaneously applied in adherence to the strategies of promoting cost effectiveness and operation efficiency. The continuation of cost control strategy is implemented with a view to sustaining operating profit margin. Manufacturing fixed cost has been further slimmed to account for anticipated decrease in global customer demand.

The management views that not only upholding the principal of prudence and conservation survives the Group during this business turbulence, but also the adequate preservation of cash and liquid assets in core reserve will place the Group in an advantageous position to achieve organic growth as well as acquire new investment opportunities that will deliver long term sustainable growth for diversification in future years when suitable time and opportunities occur.

INTERIM DIVIDENDS

The directors have resolved to declare an interim dividend of HK1 cent per share (2007: HK1 cent per share) for the six months ended 30 September 2008 payable on or before Thursday, 15 January 2009 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 6 January 2009.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 2 January 2009 to Tuesday, 6 January 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 31 December 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 2008, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance "SFO"(Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") and which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO were as follows:

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

Name of Directors	Number of Shares held				Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	
Lui Shing Ming, Brian	5,468,750	–	318,501,286 (Note 1)	323,970,036	53.18%
Lui Shing Cheong	3,906,250	–	318,501,286 (Note 1)	322,407,536	52.93%
Lui Shing Chung, Victor	3,906,250	1,562,500 (Note 2)	318,501,286 (Note 1)	323,970,036	53.18%

Notes:

- The 318,501,286 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 as trustee 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. Mr. Lui Chi resigned as chairman and executive director of the Company with effect from 1 September 2008. 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 as to 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively. Mr. Lui Chi and Madam Ng Sze Mui are parent of Messrs. Lui Shing Ming, Brian, Lui Shing Chung, Victor and Lui Shing Cheong.
- The 1,562,500 shares are owned by the spouse of Mr. Lui Shing Chung, Victor.

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

In addition to the above, certain directors have non-beneficial 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 2008, none of the directors or chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code and which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Long/Short position	Capacity	Number of Shares/ underlying Shares held	Percentage of issued capital
Lui Chi	Long	Founder of a discretionary trust	318,501,286 (Note 1)	52.28%
Ng Sze Mui	Long	Founder of a discretionary trust	318,501,286 (Note 1)	52.28%
Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	323,970,036 (Note 2)	53.18%
Harmony Link Corporation	Long	Beneficial owner	318,501,286	52.28%
The Lui Family Company Limited	Long	Trustee	318,501,286 (Note 3)	52.28%
Trident Trust Company (B.V.I.) Limited	Long	Trustee	318,501,286 (Note 3)	52.28%

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

- (1) Interests in these shares represent interests held by Mr. Lui Chi and his spouse, Madam Ng Sze Mui by virtue of being the founders of a discretionary trust which has interests in 318,501,286 shares, details of the trust have also been disclosed in Note (1) under "Directors' and chief executive's interests and short positions in the shares, underlying Shares and debentures of the Company and its associated corporations" above.
- (2) Interests in these shares include interests in 1,562,500 shares held by Madam Ng Shuk Fong, Aman personally and interests in 322,407,536 shares through interest of her spouse, Mr. Lui Shing Chung, Victor as disclosed under "Directors' and chief executive's interest and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above.
- (3) The two references to 318,501,286 shares relate to the same block of shares. Each of The Lui Family Company Limited as trustee of The Lui Unit Trust and Trident Trust Company (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 shares as described in Note (1) under "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above.

Save as disclosed above, as at 30 September 2008, the directors are not aware that there is any party (not being a Director) who had any interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

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

Messrs. 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 in last year. As at 30 September 2008, no share options had been granted under the New Scheme since its adoption.

DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in "Disposal of properties" under "Management Discussion and Analysis" and note 19 to the interim financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 September 2008.

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 2008, 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 2008, the Company has not redeemed any of its listed securities. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2008, the Group had an available workforce of approximately 2,400, of which around 2,200 were based in the PRC.

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

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

EMPLOYMENT AND REMUNERATION POLICIES (CONTINUED)

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises 3 members, whom are independent non-executive directors, namely Dr. Ng Lai Man, Carmen, Dr. Lam Chun Kong and Mr. Lo Wing Man (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 2008.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2008 have been reviewed by Grant Thornton, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION

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

By Order of the Board
Lui Shing Ming, Brian
Chairman

Hong Kong, 5 December 2008