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WINBOX INTERNATIONAL (HOLDINGS) LIMITED

永保時國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 474)

INTERIM RESULTS ANNOUNCEMENT For the six months ended 30 September 2009

The board of directors of Winbox International (Holdings) Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

		Six months ended 30 September	
		2009	2008
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	53,354	94,136
Cost of sales		(42,856)	(67,647)
Gross profit		10,498	26,489
Other income, gain and loss	5	2,725	(78)
Distribution and selling costs		(1,365)	(2,125)
Administrative expenses		(13,365)	(16,300)
Change in fair value of investments held for trading		3,813	(3,923)
Change in fair value of derivative financial instruments		–	3,716
Impairment loss recognised in respect of available-for-sale investments		(13)	(11,409)
Gain on disposal of available-for-sale investments		6,738	–
Finance costs	6	–	(101)

		Six months ended	
		30 September	
		2009	2008
<i>NOTES</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit (loss) before taxation		9,031	(3,731)
Taxation	7	<u>(335)</u>	<u>(2,087)</u>
Profit (loss) for the period attributable to owners of the Company	8	<u>8,696</u>	<u>(5,818)</u>
Other comprehensive income			
Exchange differences arising on translation		3,150	(2,090)
Fair value changes on available-for-sale investments		7,404	(7,698)
Impairment recognition in respect of available-for-sale investments		13	11,409
Transfer to profit or loss on disposal of available-for-sale investments		<u>(6,738)</u>	<u>—</u>
Other comprehensive income for the period attributable to owners of the Company		<u>3,829</u>	<u>1,621</u>
Total comprehensive income (loss) for the period attributable to owners of the Company		<u>12,525</u>	<u>(4,197)</u>
Earnings (loss) per share	10		
Basic		<u>HK2.10 cents</u>	<u>(HK1.42 cents)</u>
Diluted		<u>HK2.08 cents</u>	<u>(HK1.42 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2009

		30 September	31 March
		2009	2009
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	15,129	14,847
Prepaid lease payments	<i>11</i>	3,339	3,382
Investment property	<i>11</i>	1,074	1,090
Goodwill		11,659	10,523
Available-for-sale investments		24,601	34,156
Pledged bank deposits		5,382	5,317
Deposit for acquisition of subsidiaries		60,000	–
Deferred tax asset		205	205
		121,389	69,520
Current assets			
Inventories		24,351	29,417
Trade and bills receivables	<i>12</i>	19,355	17,433
Other receivables, deposits and prepayments		2,676	12,112
Investments held for trading		113	12,500
Tax recoverable		2,361	2,388
Bank balances and cash		40,686	54,659
		89,542	128,509
Current liabilities			
Trade payables	<i>13</i>	8,164	6,700
Other payables, deposits received and accruals		13,682	12,802
Tax payable		360	373
		22,206	19,875
Net current assets		67,336	108,634

		30 September	31 March
		2009	2009
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Total assets less current liabilities		188,725	178,154
Non-current liability			
Retirement benefits obligations		<u>1,148</u>	<u>1,057</u>
Net assets		<u>187,577</u>	<u>177,097</u>
Capital and reserves			
Share capital	14	21,036	20,574
Reserves		<u>166,541</u>	<u>156,523</u>
Total equity		<u>187,577</u>	<u>177,097</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

1. General information and basis of preparation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principle activities of the Company are an investment holding company and provision of management services to its subsidiaries. The principal activity of its subsidiaries is manufacturing and sale of quality plastic and paper boxes for luxury consumer goods.

The Group's condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The condensed consolidated financial statements have 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 (the "HKICPA").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – INT 18	Transfers of assets from customers

Except as described below, the adoption of these new HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods.

HKAS 1 (Revised) “Presentation of Financial Statements” has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 “Operating Segments” is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has resulted in a re-designation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (*see note 4*).

The Group has not early applied the following new or revised standards, amendments or interpretation that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related party disclosures ³
HKAS 27 (Revised in 2008)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classifications of rights issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁵
HKFRS 3 (Revised in 2008)	Business combinations ¹
HKFRS 9	Financial instruments ⁶
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners ¹

¹ *Effective for annual periods beginning on or after 1 July 2009.*

² *Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.*

³ *Effective for annual periods beginning on or after 1 January 2011.*

⁴ *Effective for annual periods beginning on or after 1 February 2010.*

⁵ *Effective for annual periods beginning on or after 1 January 2010.*

⁶ *Effective for annual periods beginning on or after 1 January 2013.*

The adoption of HKFRS 3 (Revised in 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised in 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the condensed consolidated financial statements of the Group.

3. Revenue

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less sales tax during the period.

4. Segment information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the board of directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) require an entity to identify two set of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was geographical segment (based on location of customers). However, information reported to the chief operating decision maker for the purpose of resources allocation and performance assessment focuses more specifically on the operation of individual subsidiary or group of subsidiaries, which are engaged in manufacturing and sale of plastic and paper boxes for luxury consumer goods in different countries. The Group’s reporting segments under HKFRS 8 are therefore as follows:

- (1) France Operation - Dardel S.A.S.
- (2) China Operation - Winbox Company Limited, Winbox Plastic Manufacturing (Shenzhen) Company Limited, First Light Investments Limited, Winpac Trading Co. Limited

Information regarding the above segment is reported below. Amounts reported for the prior year have been restated to conform to the requirement of HKFRS 8.

For the six months ended 30 September 2009

	France Operation HK\$'000 (unaudited)	China Operation HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Revenue	<u>11,404</u>	<u>41,950</u>	<u>53,354</u>
Segment results	<u>(745)</u>	<u>4,498</u>	3,753
Other income, gain and loss			2,725
Central administration costs			(7,985)
Change in fair value of investments held for trading			3,813
Impairment loss recognised in respect of available-for-sale investments			(13)
Gain on disposal of available-for-sale investments			<u>6,738</u>
Profit before taxation			<u>9,031</u>

For the six months ended 30 September 2008

	France Operation <i>HK\$'000</i> (unaudited)	China Operation <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Revenue	<u>21,806</u>	<u>72,330</u>	<u>94,136</u>
Segment results	<u>1,944</u>	<u>15,285</u>	17,229
Other income, gain and loss			(78)
Central administration costs			(9,165)
Change in fair value of investments held for trading			(3,923)
Change in fair value of derivative financial instruments			3,716
Impairment loss recognised in respect of available-for-sale investments			(11,409)
Finance costs			<u>(101)</u>
Loss before taxation			<u><u>(3,731)</u></u>

Segment results represent the profit or loss earned by each segment without allocation of other income, gain and loss, change in fair value of investments held for trading and derivative financial instruments, impairment loss recognised in respect of available-for-sale investments and finance costs. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

5. Other income, gain and loss

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest earned on bank deposits	166	666
Interest earned on unlisted debt securities held for trading	230	386
Interest earned on unlisted available-for-sale investments	195	195
Net foreign exchange gain (loss)	1,631	(3,668)
Dividend income from listed investments held for trading	76	229
Dividend income from listed available-for-sale investments	239	315
PRC government tax refund from reinvestment of a subsidiary (<i>note</i>)	–	1,540
Sundry income	188	259
	<u>2,725</u>	<u>(78)</u>

Note: According to a letter issued by the People's Republic of China ("PRC") local tax authority dated 27 May 2008, Grand Cast Limited was eligible to receive tax refund of approximately RMB1,362,000 (equivalent to approximately HK\$1,540,000) due to the additional investment of HK\$18,000,000 made to its subsidiary, Winbox Plastic Manufacturing (Shenzhen) Company Limited, by utilising the dividend from the retained profits of Winbox Plastic Manufacturing (Shenzhen) Company Limited for the three years ended 31 December 2006.

6. Finance costs

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowing wholly repayable within five years	–	101

7. Taxation

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	335	732
Other jurisdictions	—	1,355
	<u>335</u>	<u>2,087</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2008: 16.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. Profit (loss) for the period

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Property, plant and equipment written off	872	—
Depreciation of property, plant and equipment and investment property	799	890
Release of prepaid lease payments	43	44
Staff costs (including directors' emoluments)		
Fees, salaries, bonus and other allowances	19,309	25,491
Retirement benefit scheme contributions	1,662	1,941
Share-based payments	191	627
	<u>21,162</u>	<u>28,059</u>

9. Dividends

Six months ended	
30 September	
2009	2008
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Final dividend paid for 2008/09 of HK\$0.012 per share
(six months ended 30 September 2008: final dividend paid
for 2007/08 of HK\$0.025 per share)

5,028	10,287
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10. Earnings (loss) per share

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

Six months ended	
30 September	
2009	2008
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Earnings (loss)

Earnings (loss) for the purpose of basic and
diluted earnings (loss) per share

8,696	(5,818)
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	Six months ended	
	30 September	
	2009	2008
	'000	'000
<u>Number of shares</u>		
Weighted average number of ordinary shares		
for the purpose of basic earnings (loss) per share	414,422	409,152
Effect of dilutive potential ordinary shares:		
Share options (<i>Note</i>)	<u>3,838</u>	<u>–</u>
Weighted average number of ordinary shares		
for the purpose of diluted earnings (loss) per share	<u>418,260</u>	<u>409,152</u>

Note: The computation of diluted loss per share for the period ended 30 September 2008 did not assume the exercise of the Company's outstanding share options since their exercise would reduce loss per share.

11. Movements in property, plant and equipment/prepaid lease payments/investment property

During the period, the Group has written off its leasehold improvement with a carrying amount of approximately HK\$872,000 (six months ended 30 September 2008: nil).

During the period, the Group spent approximately HK\$1,184,000 (six months ended 30 September 2008: HK\$498,000) on purchase of property, plant and equipment. There was no acquisition of prepaid lease payments and investment property for both periods.

12. Trade and bills receivables

The Group allows an average credit period of 30 to 60 days to its trade customers. The aged analysis of trade and bills receivables is stated as follows:

	30 September	31 March
	2009	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0 to 30 days	12,403	13,276
31 to 60 days	5,983	3,060
61 to 90 days	602	468
91 to 180 days	367	629
	19,355	17,433

13. Trade payables

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 30 to 60 days. The aged analysis of trade payables is stated as follows:

	30 September	31 March
	2009	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0 to 30 days	3,332	3,879
31 to 60 days	1,353	1,660
61 to 90 days	2,729	765
91 to 180 days	750	396
	8,164	6,700

14. Share capital

	Number of shares	Share capital HK\$'000
<i>Authorised:</i>		
At 1 April 2008, 1 April 2009 and 30 September 2009, ordinary shares of HK\$0.05 each	2,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1 April 2008, ordinary shares of HK\$0.05 each	405,626,144	20,281
Exercise of share options (<i>Note a</i>)	5,866,582	293
At 1 April 2009, ordinary shares of HK\$0.05 each	411,492,726	20,574
Exercise of share options (<i>Note b</i>)	9,232,535	462
At 30 September 2009, ordinary shares of HK\$0.05 each	420,725,261	21,036

All the shares which were issued during the period rank pari passu with the existing shares in all respects. Details of options outstanding and movements during the period are set out in note 15.

Notes:

- (a) During the period ended 30 September 2008, share options for 5,866,582 of HK\$0.05 each were exercised at the exercise price of HK\$0.225.
- (b) During the period ended 30 September 2009, share options for 8,062,535, 90,000 and 1,080,000 of HK\$0.05 each were exercised at the exercise price of HK\$0.225, HK\$0.536 and HK\$0.860 respectively.

15. Share based payments

On 16 May 2006, a Pre-Listing Share Option Scheme (“Pre-Listing Scheme”) and a Share Option Scheme (“Post-Listing Scheme”) were adopted for the purpose of recognising and motivating the contributions of eligible persons to the Company.

Details of the share options outstanding and movements during the current period were as follows:

Grantee	Name of the scheme	Date of grant	Exercising period	Exercise price per share HK\$	Number of share options		
					Outstanding at 1 April 2009	Exercised during the period	Outstanding at 30 September 2009
Executive directors							
Choi Hon Hing	Pre-Listing Scheme	16.5.2006	6.6.2009 to 5.6.2012	0.225	1,777,725	(1,777,725)	–
Fung Wing Yee, Wynne	Pre-Listing Scheme	16.5.2006	6.6.2009 to 5.6.2012	0.225	1,333,304	(1,333,304)	–
Non-executive directors							
Fung Wing Ki, Vicky	Pre-Listing Scheme	16.5.2006	6.6.2009 to 5.6.2012	0.225	1,333,304	(1,333,304)	–
Independent non-executive directors							
Tam Hok Lam, Tommy	Post-Listing Scheme	8.6.2007	12.6.2008 to 11.6.2011	0.860	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	12.6.2009 to 11.6.2012	0.860	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	12.6.2010 to 11.6.2013	0.860	160,000	–	160,000
Hui Ka Wah, Ronnie	Post-Listing Scheme	8.6.2007	9.6.2008 to 8.6.2011	0.860	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	9.6.2009 to 8.6.2012	0.860	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	9.6.2010 to 8.6.2013	0.860	160,000	–	160,000
Leung Man Chun, Paul	Post-Listing Scheme	8.6.2007	12.6.2008 to 11.6.2011	0.860	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	12.6.2009 to 11.6.2012	0.860	120,000	(120,000)	–
	Post-Listing Scheme	8.6.2007	12.6.2010 to 11.6.2013	0.860	160,000	–	160,000
Advisor to the Group (Note)	Post-Listing Scheme	8.6.2007	8.6.2008 to 7.6.2011	0.860	180,000	(180,000)	–
	Post-Listing Scheme	8.6.2007	8.6.2009 to 7.6.2012	0.860	180,000	(180,000)	–
	Post-Listing Scheme	8.6.2007	8.6.2010 to 7.6.2013	0.860	240,000	–	240,000
Employees	Pre-Listing Scheme	16.5.2006	6.6.2008 to 5.6.2011	0.225	240,438	(240,438)	–
	Pre-Listing Scheme	16.5.2006	6.6.2009 to 5.6.2012	0.225	3,377,764	(3,377,764)	–
	Post-Listing Scheme	8.6.2007	8.6.2008 to 5.7.2011	0.860	105,000	–	105,000
	Post-Listing Scheme	8.6.2007	8.6.2009 to 5.7.2012	0.860	105,000	–	105,000
	Post-Listing Scheme	8.6.2007	8.6.2010 to 5.7.2013	0.860	140,000	–	140,000
	Post-Listing Scheme	18.3.2008	18.3.2009 to 17.3.2012	0.536	90,000	(90,000)	–
	Post-Listing Scheme	18.3.2008	18.3.2010 to 17.3.2013	0.536	90,000	–	90,000
	Post-Listing Scheme	18.3.2008	18.2.2011 to 17.3.2014	0.536	120,000	–	120,000
					10,512,535	9,232,535	1,280,000

Note: Advisor to the Group is Mr. Fung Ka Pun, who is a substantial shareholder of the Group.

In the current period, share option expenses of approximately HK\$191,000 (six months ended 30 September 2008: HK\$627,000) has been recognised with a corresponding credit in the Group's share options reserve.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$0.674 per share.

16. Related party transactions

The remuneration of directors, who represent the key management personnel of the Group, during the period was HK\$713,000 (six months ended 30 September 2008: HK\$911,000).

INTERIM DIVIDEND

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

There was no material change in the Group's core business and operations during the six months ended 30 September 2009 from that disclosed in the Annual Report for the year ended 31 March 2009. The size of the global consumer market suffered a decline in early 2009 as a result of the continuation of the widespread global economic turmoil started in late 2008. During the first half of 2009/10, sales dropped significantly due to more cautious orders placed by our major customers in the United States and Europe. Even though turnover dropped significantly, we are seeing improvements in the net margin percentage, mainly due to gain on disposal of certain available-for-sale investments and change in fair value on investments held for trading as a result of the gradual recovery of global financial markets since the second quarter of 2009 and more effective cost control over the operation of the business of the Group. The Group is cautiously optimistic of an improvement in its business as it believes that the global economic environment is gradually improving. Furthermore, the more effective cost control implemented by the Group since 2008 will also contribute to reduce operation costs and improve profit margin for the rest of 2009 and the years beyond.

Looking ahead, the Group is optimistic that sales will eventually pick up and be back to the levels prior to the 2008-2009 financial crisis as economic recovery gathers pace. The Group sees unique opportunities to consolidate its position as a premier packaging manufacturer as the packaging industry continues to evolve such that customers are becoming more cautious and stringent towards product safety and quality standards in view of the world's call for environmental concerns, and more aware of social accountability. These developments favour larger, reputable manufacturers as the new standards, coupled with the financial downturn that dried up credit and sales, tend to further weaken or even wipe out smaller manufacturers in the region, and customers also seek to reduce such risks by consolidating their vendor base. With this in mind, the Group will continue to invest in quality and continue to upgrade its equipment and facilities to improve efficiency and ensure compliance with current and upcoming safety and environmental standards. It is the Group's belief that continuous investment in facilities is key to success and sustainability in the manufacturing industry. The Group is currently developing new plant facilities in Qiao Tou, Dongguan, the PRC. The Group believes that the new production facilities will increase the Group's production capacity and thereby enable the Group to handle further demand from the Group's customers and benefit from the economies of scales in the long run. In addition, the Group also plans to install new machinery at its new production facilities to cater for the needs of the more diversified product requirements of the customers. As the China economy continues to boom, and thus the growth of Mainland demand for high quality and luxury goods, the Group believes that China will not only be the 'Factory of the World', but that high quality brand names originating from the Mainland will also evolve. With its experience in the production of high quality packaging, the Group is well-positioned to capture this upcoming growth market and expand in this geographical segment.

Financial Review

Revenue

The Group's revenue for the six months ended 30 September 2009 dropped by approximately 43.3% to approximately HK\$53.4 million (2008: HK\$94.1 million), the drop was mainly due to more cautious orders placed by our customers in the United States and Europe.

Gross profit

The Group's gross profit decreased to approximately HK\$10.5 million (2008: HK\$26.5 million) for the six months ended 30 September 2009. Gross profit margin also decreased from approximately 28.1% for the six months ended 30 September 2008 to approximately 19.7% for the six months ended 30 September 2009 primarily due to the increase in labour costs and additional manufacturing overheads incurred for the running of new plant facilities located in Qiao Tou, Dongguan, PRC, which reduced the gross profit margin of the Group.

Other Income, gain and loss, Change in Fair Value of Investments Held for Trading, Change in Fair Value of Derivative Financial Instruments, Impairment Loss Recognised in respect of Available-For-Sale Investments and Gain on Disposal of Available-For-Sale Investments

The Group invested in various types of financial instruments including fixed income and equity with a view to enhance overall return. As a result of the gradual recovery of global financial markets since the second quarter of 2009, a total net gain of approximately HK\$13.3 million (2008: loss of approximately HK\$11.7 million) was recorded in other income, gain and loss, change in fair value of investments held for trading, change in fair value of derivative financial instruments, impairment loss recognised in respect of available-for-sale investments and gain on disposal of available-for-sale investments.

Distribution and Selling Costs

The Group's distribution and selling costs as a percentage of turnover were approximately 2.6% (2008: 2.3%) for the six months ended 30 September 2009.

Administrative Expenses

The Group's administrative expenses decreased by approximately 18.0% to approximately HK\$13.4 million for the six months ended 30 September 2009 (2008: HK\$16.3 million). The difference was mainly due to better cost control.

Finance Costs

The Group did not incur any finance costs for the six months ended 30 September 2009 (2008: HK\$0.1 million).

Taxation

Hong Kong Profit Tax is calculated at 16.5% (six months ended 30 September 2008: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Profit for the Period

The interim results of the Group for the six months ended 30 September 2009 recorded a profit of approximately HK\$8.7 million as compared to a loss of HK\$5.8 million for the corresponding period in 2008. Such profit is mainly due to gain on disposal of certain available-for-sale investments and change in fair value of investments held for trading. Details can be referred to in the corresponding paragraph.

Liquidity, Capital Structure and Financial Resources

During the period, the Group has utilised part of its working capital to pay an investment deposit of US\$7.74 million (equivalent to approximately HK\$60.00 million) in accordance with the sale and purchase agreement (“S&P Agreement”) dated 1 September 2009 with Real Power Holdings Limited and TRXY Development (HK) Limited, both of which are independent third parties. Please refer to the paragraph below headed “**Capital Commitment and Contingent Liabilities**” for more details of the transaction. Other than that, there was no material change in the Group’s position in relation to liquidity, capital structure and financial resources as disclosed in the Annual Report for the year ended 31 March 2009. The cash flow of the Group remained healthy during the period with cash and cash equivalents as at 30 September 2009 amounted to approximately HK\$40.7 million (31 March 2009: HK\$54.7 million). Gearing ratio (a ratio of total borrowings to total assets other than goodwill) as at 30 September 2009 was maintained at a minimum level of 0.0% (31 March 2009: 0.0%). As At 30 September 2009, the Group did not have any outstanding investment schemes and bank borrowings and did not utilise any of the banking facilities granted.

Capital Commitment and Contingent Liabilities

On 1 September 2009, Win Team Investments Limited (“Win Team”), a wholly owned subsidiary of the Company entered into the S&P Agreement with Real Power Holdings Limited and TRXY Development (HK) Limited, both of which are independent third parties. Pursuant to the S&P Agreement, Win Team will acquire the entire issued share capital of Merrymaking Investments Limited and Pleasing Results Limited (the “Acquisition”), which are investment holding companies with its subsidiaries principally engaged in coal mining business in Inner Mongolia Autonomous Region, the PRC, at an aggregate consideration of US\$210 million (equivalent to approximately HK\$1,627.74 million). The total consideration for the Acquisition will be satisfied by US\$37.74 million (equivalent to approximately HK\$292.53 million) in cash, US\$45.78 million (equivalent to approximately HK\$354.85 million) by issue of new shares of the Company and US\$126.48 million (equivalent to approximately HK\$980.36 million) by issue of convertible notes. Win Team has paid an investment deposit of US\$7.74 million (equivalent to approximately HK\$60.00 million) as at the period end date in accordance with the S&P Agreement. The completion of the Acquisition is subject to the fulfillment of the conditions set forth in the S&P Agreement including but not limited to, the proposed placing of the new shares of the Company with a gross proceeds of not less than US\$90 million (equivalent to HK\$697.60 million) and the approval from shareholders in the extraordinary shareholders’ meeting. The transactions have not yet been completed as at the date of this announcement. Details of the Acquisition are more particularly set out in the Company’s announcement dated 7 September 2009.

The Group had no material contingent liabilities as at the close of business on 30 September 2009.

Exposure to Fluctuations in Exchange Rates

The net foreign exchange gain of the Group for the six months ended 30 September 2009 was approximately HK\$1.6 million compared to the net foreign exchange loss of approximately HK\$3.7 million for the corresponding period in 2008. The Group’s sales are denominated in United States dollars (“USD”), Euro (“EUR”) and Hong Kong dollars (“HKD”). The Group’s purchases and expenses are mostly denominated in HKD and Renminbi (“RMB”), and some in EUR and USD. The Group has certain foreign currency bank balances, investments held for trading, available-for-sale investments and investment in foreign operations, which are exposed to foreign currency exchange risk. As HKD is pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HKD exchange rates. During the six months ended 30 September 2009, HKD against EUR have experienced a weakening of approximately 7.2%. The favourable currency exchange rate movement has had a positive impact on the Group’s results. Except as disclosed, there was no material change in the Group’s position in relation to foreign exchange exposure as disclosed in the Annual Report for the year ended 31 March 2009.

Employment and Share Option Schemes

As at 30 September 2009, the Group had a total of approximately 1,188 employees in the PRC, Hong Kong and France. Remuneration packages for the employees are maintained at a competitive level in the relevant jurisdiction, within which employees are attracted, retained and motivated. Remuneration packages are reviewed periodically. A summary of the share option schemes of the Group is set out in note 15 to the condensed consolidated financial statements.

Significant Investments, Material Acquisitions and Disposals

The Group did not have any significant investments, material acquisitions and disposals during the six months ended 30 September 2009.

Purchase, Sale or Redemption of the Company's Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2009.

Compliance with Code on Corporate Governance Practices of the Listing Rules

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize on a quality Board, sound internal control, transparency and accountability to all shareholders of the Company. For the six months ended 30 September 2009, there is no deviation from the Corporate Governance Report as contained in the Annual Report of the Company for the year ended 31 March 2009. Throughout the six months ended 30 September 2009, the Company has applied the principles of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviation from code provision A.2.1 of the CG Code that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, the Company does not separate the roles of the chairman and chief executive officer.

Ms. Choi Hon Hing, the Chairman of the Company, assumes the role of chief executive officer and is responsible for the overall control and management of the Company and the Group. The Company considers that the combination of the roles of chairman and chief executive officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities more efficiently and promptly. The Company considers that through the supervision by its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately represented.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transaction. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period and they all confirmed having fully complied with the required standard set out in the Model Code.

Audit Committee

The Company established an Audit Committee on 16 May 2006 with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certificate Public Accountants. The terms of reference of the Audit Committee are consistent with the provisions as set out in the CG Code and are available on the Company's website. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2009 with the directors and external auditors.

By order of the Board
Ms. Choi Hon Hing
Chairman

Hong Kong, 14 December 2009

As at the date of this announcement, the board of directors comprises three executive directors, namely Ms. Choi Hon Hing, Ms. Fung Wing Yee, Wynne and Mr. Ng Cheuk Fan, Keith; two non-executive directors, namely Ms. Fung Wing Ki, Vicky and Mr. Mok Chiu Kuen, and three independent non-executive directors, namely Dr. Tam Hok Lam, Tommy, J.P., Dr. Hui Ka Wah, Ronnie, J.P., and Mr. Leung Man Chun, Paul.