Fook Woo Group Holdings Limited
福和集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 923)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

FINANCIAL HIGHLIGHTS

- Revenue increased by 29.5% to HK$1,422.6 million
- Gross profit increased by 33.9% to HK$513.0 million
- Profit attributable to the Company's equity holders increased by 68.8% to HK$291.3 million
- Earnings per share increased by 58.3% to HK$0.19 as compared to the last corresponding year

ANNUAL RESULTS

The board of directors (the "Board") of Fook Woo Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2010. The Company's Audit Committee has reviewed the results and the financial statements of the Group for the year ended 31 March 2010 prior to recommending them to the Board for approval.

CONSOLIDATIED INCOME STATEMENT

		Year ended 31 March	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**1,422,556**	1,098,549
Cost of sales	*4*	**(909,549)**	(715,462)
Gross profit		**513,007**	383,087
Other income		**3,716**	3,324
Other loss, net		**(4,044)**	(10,132)
Administrative expenses	*4*	**(119,197)**	(116,199)
Selling expenses	*4*	**(43,743)**	(50,564)
Operating profit		**349,739**	209,516
Finance income		**1,147**	1,927
Finance costs		**(13,102)**	(11,116)
Profit before income tax		**337,784**	200,327
Income tax expense	*5*	**(46,445)**	(27,737)
Profit for the year attributable to equity holders of the Company		**291,339**	172,590
Basic and diluted earnings per share for profit attributable to equity holders of the Company	*6*	**HK$0.19**	HK$0.12
Dividends	*7*	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**291,339**	172,590
Other comprehensive income:		
Exchange translation differences	**8,893**	4,978
Total other comprehensive income for the year, net of tax	**8,893**	4,978
Total comprehensive income for the year attributable to equity holders of the Company	**300,232**	177,568

CONSOLIDATED BALANCE SHEET

		As at 31 March	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,032,993**	420,498
Land use rights		**40,835**	20,498
Prepayments		**66,554**	326,825
Deferred income tax assets		**258**	38
Total non-current assets		**1,140,640**	767,859
Current assets			
Inventories	*8*	**62,438**	59,249
Trade and bills receivables	*9*	**350,324**	178,105
Prepayments, deposits and other receivables		**59,879**	84,058
Amounts due from related companies		**705**	29,637
Amount due from a shareholder		**14,110**	–
Tax recoverable		**488**	–
Cash and cash equivalents		**1,079,216**	52,721
Restricted bank deposits		**9,294**	–
Total current assets		**1,576,454**	403,770
Total assets		**2,717,094**	1,171,629
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**200,000**	–
Share premium		**1,923,706**	–
Capital reserve		**(964,044)**	(2,274)
Other reserves		**1,036,150**	735,918
Total equity		**2,195,812**	733,644
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**125,332**	40,449
Deferred income tax liabilities		**360**	–
Total non-current liabilities		**125,692**	40,449

	Notes	As at 31 March 2010 HK$'000	2009 HK$'000
Current liabilities			
Trade and other payables	*10*	**223,130**	106,333
Short-term bank borrowings		**108,905**	160,683
Current portion of long-term borrowings		**45,395**	13,483
Amounts due to related companies		**27**	1,568
Amount due to a director		–	107,337
Current income tax liabilities		**18,133**	8,132
Total current liabilities		**395,590**	397,536
Total liabilities		**521,282**	437,985
Total equity and liabilities		**2,717,094**	1,171,629
Net current assets		**1,180,864**	6,234
Total assets less current liabilities		**2,321,504**	774,093

1 General information and group reorganisation

Fook Woo Group Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 March 2010. The registered address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

On 19 March 2010, the Company issued a prospectus (the "Prospectus") and launched a global offering of 620,000,000 ordinary shares, comprising 500,000,000 new shares issued by the Company and 120,000,000 shares offered by one of the Founders (as defined in Note 1.1 below) ("the Global Offering"), at an offer price of HK$2.30 per share (the "Offer Price"). On 1 April 2010, the over-allotment option as detailed in the Prospectus was fully exercised and the Company was required to allot and issue an aggregate of 93,000,000 additional shares at the Offer Price. Gross proceeds received by the Company from the Global Offering (including proceeds from the exercise of the over-allotment option) amounted to HK$1.36 billion in aggregate, of which HK$1.15 billion was received by the Company on 31 March 2010 and HK$213.9 million was received by the Company on 9 April 2010.

The Company and its subsidiaries are collectively referred to as the "Group". The subsidiaries of the Group are principally engaged in the trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and provision of confidential materials destruction services.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated.

1.1 Reorganisation

Mr. Leung Kai Kuen and Ms. Tam Ming Luen (hereinafter collectively referred to as the "Founders") established various companies in Hong Kong and the People's Republic of China ("PRC") principally engaging in the trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and provision of confidential materials destruction services. In preparation for the listing on the Stock Exchange, the Company underwent a reorganisation (the "Reorganisation") to acquire all the subsidiaries carrying on the business of trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and provision of confidential materials destruction services (the "Core Business Entities") from the Founders and to dispose of certain companies which are inactive or carry on other businesses (the "Non-core Business Entities"). The Reorganisation principally involved:

(a) the incorporation of Fook Woo International Limited ("FW Int"), a limited liability company incorporated in the British Virgin Islands (the "BVI") on 16 March 2007, by the Founders;

(b) the incorporation of various intermediate holding companies in the BVI (the "BVI Intermediate Holding Companies") by FW Int on 23 March 2009, which are established to act as the immediate holding companies of the Core Business Entities;

(c) the transfers of the equity interests in the Core Business Entities from the Founders to the BVI Intermediate Holding Companies at a consideration which is determined with reference to the net asset value of the Core Business Entities as of the date of the respective acquisitions by their existing immediate holding companies by way of the issuance of shares by FW Int to the Founders;

(d) the disposals of the equity interests in the Non-core Business Entities by the Founders on 5 August 2009. The Non-core Business Entities consist of 100% equity interest in Hoi On Confidential Waste Management Limited, an inactive company which is disposed to one of the Founders of the Group, and 24% equity interest in Takco Limited, a company that is principally engaged in the provision of management services which is disposed to an independent third party. The Non-core Business Entities do not have a material effect on the Group's financial position or operating results;

(e) the incorporation of the Company on 11 November 2009;

(f) the shareholder's loan payable of HK$100,000,000 owed by Golddoor Company Limited ("Golddoor"), a subsidiary of the Group, to Mr. Leung Kai Kuen was transferred from Golddoor to the Company. Subsequently, this shareholder's loan payable was capitalized by the Company by the issuance of 1,125 shares on 21 February 2010;

(g) in consideration of shares issued by the Company to the Founders, the entire equity interest in FW Int was transferred to the Company by the Founders on 21 February 2010. Thereafter, the Company became the holding company of the Core Business Entities.

2 Basis of preparation

Pursuant to the Reorganisation as described in Note 1.1, the Reorganisation was accounted for as a reorganisation of businesses under common control, in a manner similar to a pooling-of-interest. The assets and liabilities transferred to the Group have been stated at historical carrying amounts. The consolidated financial statements have been prepared as if the Company and the current corporate structure had been in existence as at all dates and during the years presented.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 April 2009:

IFRSs (Amendments)	Improvements to IFRSs
IAS 1 (Revised)	Presentation of Financial Statements
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments – Fair Value Measurements and Liquidity Risk of Financial Instruments
IFRS 8	Operating Segments

The application of the above standards and amendments had resulted in certain changes on the disclosures on the Group's financial statements while the results and financial position were not affected.

The Group early adopted the Improvement to IFRSs 2009 – Amendment to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010). The revised standard requires that measure of segment assets should only be disclosed when such information is regularly provided to the chief operating decision maker.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new/revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended 31 March 2010 and which the Group has not early adopted:

IAS 24 (Revised)	Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
IAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
IAS 32 (Amendment)	Financial Instruments: Presentation on Classification of Rights Issue (effective for annual periods beginning on or after 1 February 2010)
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July 2009)
IFRS 1 (Revised)	First-time Adoption of IFRS (effective for annual periods beginning on or after 1 July 2009)
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)
IFRS 2 (Amendment)	Share-based Payments-Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010)
IFRS 3 (Revised)	Business Combinations (effective for annual periods beginning on or after 1 July 2009)
IFRS 9	Financial Instruments (effective for annual periods beginning on or after 1 January 2013)
IFRIC 14 (Amendment)	Prepayment of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)
IFRIC 17	Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
IFRIC 18	Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)

Improvements to IFRS 2009-Amendments to:

IAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010)
IAS 7	Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010)
IAS 17	Leases (effective for annual periods beginning on or after 1 January 2010)
IAS 18	Revenue (effective for annual periods beginning on or after 1 January 2010)
IAS 36	Impairment of Assets (effective for annual periods beginning on or after 1 January 2010)
IAS 38	Intangible Assets (effective for annual periods beginning on or after 1 July 2009)
IAS 39	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010)
IFRS 2	Share-based Payment (effective for annual periods beginning on or after 1 July 2009)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (First and second amendments to be effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, respectively)
IFRIC 9 and IFRS 3 (Revised)	Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 July 2009)

IFRIC 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July 2009)

Improvements to IFRS 2010-Amendments to:

IFRS 1	First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2011)
IFRS 3	Business Combinations (effective for annual periods beginning on or after 1 July 2010)
IFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011)
IAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011)
IAS 27	Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2011)
IAS 34	IAS 34 Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2011)
IFRIC 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011)

The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a significant impact to its results of operations and financial position.

3 Segment information

The Board of Directors of the Company, which is the chief operating decision maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments:

- Recovered paper – sales of recovered papers
- Tissue paper products – manufacturing and sales of tissue paper products
- Recycled greyboard – manufacturing and sales of recycled greyboard
- Confidential materials destruction ("CMD") – provision of confidential materials destruction services

Although the Group's products and services are sold/rendered to Hong Kong, the PRC and overseas markets, the chief operating decision maker of the Group regularly reviews the consolidated financial statements by business segments to assess performance and make resources allocation decisions.

The segment results and other segment items included in the profit for the year ended 31 March 2010 are as follows:

	Recovered paper *HK$'000*	**Tissue paper products** *HK$'000*	**Recycled greyboard** *HK$'000*	**CMD** *HK$'000*	**Group** *HK$'000*
Revenue	**815,241**	**575,577**	**27,776**	**3,962**	**1,422,556**
Cost of sales	**(550,235)**	**(329,030)**	**(28,354)**	**(1,930)**	**(909,549)**
Segment gross profit	**265,006**	**246,547**	**(578)**	**2,032**	**513,007**
Unallocated operating costs					**(163,268)**
Finance costs, net					**(11,955)**
Profit before income tax					**337,784**
Income tax expense					**(46,445)**
Profit for the year					**291,339**

The segment results and other segment items included in the profit for the year ended 31 March 2009 are as follows:

	Recovered paper *HK$'000*	Tissue paper products *HK$'000*	Recycled greyboard *HK$'000*	CMD *HK$'000*	Group *HK$'000*
Revenue	597,809	457,662	39,150	3,928	1,098,549
Cost of sales	(398,072)	(282,813)	(32,489)	(2,088)	(715,462)
Segment gross profit	199,737	174,849	6,661	1,840	383,087
Unallocated operating costs					(173,571)
Finance costs, net					(9,189)
Profit before income tax					200,327
Income tax expense					(27,737)
Profit for the year					172,590

4 Expenses by nature

Expenses included in cost of sales, administrative expenses and selling expenses are analysed as follows:

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration	**1,694**	1,449
Amortisation of land use rights	**532**	479
Provision for impairment of trade receivables	**1,906**	2,308
Provision for impairment of deposits and prepayments to suppliers	**–**	2,970
Direct write off of trade receivables	**–**	539
Direct write off of deposits and prepayments to suppliers	**–**	3,895
Cost of inventories sold	**813,327**	616,770
Depreciation	**54,637**	32,751
Operating lease charges in respect of land and buildings	**5,925**	5,106
Employee benefit expense	**58,276**	64,563
Directors' emoluments	**3,173**	2,689
Transportation costs	**55,994**	65,021
Donations	**2,713**	3,164
Handling charges	**832**	945
Expenses incurred in connection with the Global Offering	**7,819**	–
Other expenses	**65,661**	79,576
Total cost of sales, administrative expenses and selling expenses	**1,072,489**	882,225

5 Income tax expense

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**1,244**	1,269
– PRC corporate income tax	**45,087**	27,067
Over provisions in prior years	**(26)**	(186)
	46,305	28,150
Deferred tax		
Origination and reversal of temporary differences	**140**	(392)
Impact of change in Hong Kong tax rate	**–**	(21)
	140	(413)
Income tax expense	**46,445**	27,737

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2010 (2009: 16.5%).

Huizhou Fook Woo Paper Company Limited ("FWHZ"), a subsidiary of the Group operating in the PRC, is eligible for a 50% reduction in corporate income tax rate from 1 January 2008 to 31 December 2010.

The applicable corporate income tax rate for FWHZ for the year ended 31 March 2010 was 12.5% (2009: 12.5%).

6 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue during the year ended 31 March 2010 used in the basic earnings per share calculation is determined on the assumption that the 1,500,000,000 shares with par value of HK$0.01 each issued upon the capitalisation issue and Reorganisation had been in issue prior to the incorporation of the Company (2009: same).

	Year ended 31 March	
	2010	2009
	HK$000	*HK$000*
Profit attributable to the equity holders of the Company	**291,339**	172,590
Weighted average number of ordinary shares in issue (thousand shares)	**1,501,370**	1,500,000
	HK$0.19	HK$0.12

Diluted earnings per share are equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2009: same).

7 Dividends

No dividends had been paid or declared by the Company during the year (2009: HK$Nil).

8 Inventories

	As at 31 March	
	2010	2009
	HK$'000	*HK$'000*
Raw materials, at cost	**39,844**	42,511
Finished goods, at cost	**22,594**	16,738
	62,438	59,249

The cost of inventories recognised as an expense and included in "cost of sales" amounted to HK$813,327,000 for the year ended 31 March 2010 (2009: HK$616,770,000).

9 Trade and bills receivables

	As at 31 March	
	2010	2009
	HK$'000	*HK$'000*
Trade and bills receivables	**356,159**	182,245
Less: provision for impairment	**(5,835)**	(4,140)
Trade and bills receivables – net	**350,324**	178,105

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 10 days to 90 days. The ageing analysis of trade and bills receivables based on due date at the balance sheet date is as follows:

	As at 31 March	
	2010	2009
	HK$'000	*HK$'000*
Current	**283,316**	107,358
1 – 30 days	**36,417**	25,623
31 – 60 days	**15,378**	15,892
61 – 90 days	**1,304**	12,133
91 – 120 days	**2,297**	5,757
Over 120 days	**17,447**	15,482
	356,159	182,245
Less: Provision for impairment	**(5,835)**	(4,140)
	350,324	178,105

10 Trade and other payables

	As at 31 March	
	2010	2009
	HK$'000	*HK$'000*
Trade payables	**82,030**	45,357
Other payables:		
– Other PRC taxes payable	**33,809**	20,499
– Accrued expenses	**83,714**	19,259
– Receipts in advance from customers	**1,983**	3,117
– Other payables for construction in progress	**21,071**	16,944
Others	**523**	1,157
	223,130	106,333

The aging analysis of trade payables at the balance sheet date is as follows:

	As at 31 March	
	2010	2009
	HK$'000	*HK$'000*
Current	**54,144**	22,132
1 – 30 days	**9,720**	6,825
31 – 60 days	**1,551**	5,429
61 – 90 days	**2,990**	1,215
91 – 120 days	**2,146**	3,801
Over 120 days	**11,479**	5,955
	82,030	45,357

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 31 March 2010, raising gross proceeds of HK$1,363.9 million (including proceeds from the exercise of the over-allotment option). Going public opens the door to the international financing platform and allows the Group to have access to more sources of funding to maintain a sustainable growth in the future.

Segmental Analysis

As the largest waste paper management services provider and producer of recycled tissue paper products in the China region and the largest confidential materials destruction services provider in Hong Kong, the Group takes pride in its leadership as a vertically integrated player covering the entire value chain for waste paper management, capitalising on highly streamlined and efficient logistic model with production facilities strategically located with access to efficient transportation links and reliable water sources, thereby enjoys significant cost and competitive advantages. The Group is gaining momentum in the recovered paper and tissue paper segments, its two major businesses, while fully capturing synergies brought by sales of greyboard and provision of confidential materials destruction services (CMDS).

Recovered Paper

Revenue from this segment grew by 36.4% to approximately HK$815.2 million, contributing approximately 57.3% of the Group's revenue. The growth was primarily due to recovery of economy which led to increase in market demand. During the year, significant sales of recovered paper were made to customers who were paper manufacturers in China. In particular, the Group entered into a 17-month cooperation agreement with Guangzhou Paper Company Limited and a 24-month cooperation agreement with Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited in November and December 2009 respectively to supply recovered paper to these customers. These two key customers procured over 108,000 tonnes of recovered paper from the Group representing a major portion of the total volume of recovered paper sold during the year.

Tissue Paper Products

During the year, revenue of this segment increased by 25.8% to HK$575.6 million, accounting for approximately 40.5% of the total revenue. The increase was primarily due to the increase in global consumption, increase in awareness of green concept and increase in demand from away-from-home market. The Group produces bathroom tissue, jumbo rolls and paper towels from recycled paper or virgin pulp for OEM customers and away-from-home customers including those in office buildings, shopping malls and public facilities in China, Hong Kong, the United States, Australia, etc., as well as selling parent rolls to value-added resellers. The Group also produces and sells recycled tissue paper products under its own brands, namely Moonily, Smoovie and See-Mia, which gained popularity in the China market during the year.

Greyboard

Greyboard business is not a core business of the Group. However, it is the Group's strategy to maximise contributions from the production chain and fully utilise its resources. The Group makes use of greyboard to produce cores for bathroom tissue, jumbo rolls and paper towels for its own recycled tissue paper products. In addition, the Group also produces greyboard from lower-grade recovered paper using its own brands, namely Eagle King and Hui Lan, for selling to paper merchants, manufacturers and printers in China. During the year, this segment recorded revenue of approximately HK$27.8 million.

Confidential Materials Destruction Services (CMDS)

The Group also provided CMDS in Hong Kong, in which it has a market share of over 50% in 2009, and which recorded HK$4.0 million in sales in FY 2010. With loyal customers including government bodies, financial and professional institutions and banks, this segment secures stable and ample supply of quality waste paper, which is an important source for the production chain of recycled paper.

Geographical Analysis

The Group services and markets its products in China, the United States, Japan, Hong Kong, Australia, and customers across other countries. China is the largest market of the Group (analysed according to the locations in which sale originated), generating HK$1,023.5 million in revenue and accounting for approximately 71.9% of its total revenue, whereas revenue from the United States, Japan, Hong Kong, Australia and other markets accounted for approximately 28.1% in total. It is expected that China will continue to be a major market for waste paper and tissue paper consumption and will definitely be one of the regions that the Group will focus on.

Operational Analysis

As at 31 March 2010, the Group operated four waste paper packing stations in Hong Kong and one waste paper packing station in China with total collection volume of about 580,000 tonnes per annum. The Group also operated one secured destruction facility for CMDS in Hong Kong which is capable of processing 36,000 tonnes of confidential materials per annum, as well as recycled paper manufacturing facilities in China, producing 91,410 tonnes and 18,510 tonnes of recycled tissue paper and greyboard respectively in FY 2010. During the year, the Group installed two technologically advanced tissue paper machines.

With a production base and one pier in Huizhou and two piers in Hong Kong, the Group enjoys cost-effective and efficient transportation arrangements for delivering waste paper collected in Hong Kong to the production plant and to customers in China, creating a noteworthy advantage over peers.

FINANCIAL REVIEW

In the fiscal year ended 31 March 2010, there were both challenges and opportunities for the Group. After the financial crisis broke out in the second half of 2008, the global market sentiment had yet recovered in the first half of the fiscal year. As a result of the economic downturn, the average selling prices of recovered paper and tissue paper products were inevitably affected, as was the Group's performance. However, with the economic stimulus measures implemented by governments worldwide in the second half of FY2010, the market began to pick up, especially in China. Leveraging the Group's commitment to business expansion, cost control and enhancement of production capacity, its core businesses rapidly returned to the growth track.

Revenue

The Group's revenue for the year ended 31 March 2010 amounted to HK$1,422.6 million, an increase of 29.5% compared with last year's HK$1,098.5 million. Gross profit also rose by 33.9% in the current year to approximately HK$513.0 million compared with last year's HK$383.1 million. Increase in gross margin from 34.9% in FY2009 to 36.1% in FY2010 was mainly contributed by an enhancement in productivity as a result of the new tissue machines used in the production of tissue products.

With improved sales performance and operational efficiency, the Group reported an operating profit of approximately HK$349.7 million (FY2009: HK$209.5 million), representing a growth of 66.9%. The Group's profit attributable to equity holders of the Company for the year reached HK$291.3 million, representing an increase of 68.8% as compared to HK$172.6 million in year 2009. This outperformed the profit forecast stated in the Prospectus for the Global Offering of the Company's shares in March 2010.

Operating Expenses

Total selling and administrative expenses dropped from HK$166.8 million to HK$162.9 million. The decrease was mainly due to the Group's continued effort to tighten its control over cost and overhead.

Income Tax Expenses

Income tax expense for the year ended 31 March 2010 was HK$46.4 million, representing an increase of 67.5% as compared to HK$27.7 million for 2009. The effective income tax rate was 13.75% for the year ended 31 March 2010, compared to 13.85% for 2009.

Profit For The Year Attributable To The Equity Holders

The Group's profit attributable to the equity holders for the year ended 31 March 2010 was HK$291.3 million, representing an increase of 68.8% compared to HK$172.6 million for 2009. Profit attributable to the equity holders as a percentage of revenue was 20.5% for the year ended 31 March 2010, compared to 15.7% in 2009.

Liquidity and Financial Resources

As at 31 March 2010, the Group had bank and cash balances, including restricted bank deposits, of approximately HK$1,088.5 million. Total bank borrowings of the Group with floating rates amounted to approximately HK$279.6 million as at 31 March 2010. This included long-term borrowings of approximately HK$170.7 million and short-term bank borrowings of approximately HK$108.9 million. The effective interest rates for short-term borrowings and long-term borrowings were 7.09% per annum (2009: 4.24% per annum) and 5.24% per annum (2009: 7.76% per annum) respectively. All bank borrowings were due within 5 years. The Group's gearing ratio, which is calculated as net debt (including current and non-current borrowings and amount due to a director less cash and cash equivalents and restricted bank deposits) divided by total capital, dropped from 27% as at 31 March 2009 to zero as at 31 March 2010.

As at 31 March 2010, the Group had net current assets of approximately HK$1,180.9 million, as compared to net current assets of approximately HK$6.2 million as at 31 March 2009. The current ratio of the Group was 3.99 as at 31 March 2010 as compared to 1.02 as at 31 March 2009.

In FY10, the Group generated net cash of HK$303.3 million from its operating activities, as compared to HK$200.7 million in FY09. Net cash used in investing activities was HK$420.4 million, which mainly included capital expenditures of HK$402.1 million and additional payment of HK$20.6 million for acquiring land use rights.

During the year, the net cash inflow from financing activities amounted to HK$1,134.4 million, included in which was mainly the gross proceeds from issuance of ordinary shares pursuant to the Global Offering amounting to HK$1.15 billion, the draw-down of new bank loans, net of repayment, of HK$54.5 million and payments of professional fees for the Global Offering amounting to HK$49.4 million.

Foreign Exchange Exposure

The Group's principal production facilities are located in the PRC whilst most of its sales are denominated in Renminbi, United States dollars and Hong Kong dollars. Most of the purchases of raw materials are denominated in Renminbi and Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars.

As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi.

Although the foreign exchange risk is not considered to be significant, management will continue to evaluate the Group's foreign currency exposure and take actions as appropriate to minimise the Group's exposure whenever necessary.

Pledge of Assets

As at 31 March 2010, buildings with net book value of HK$148.0 million, plant and machinery of HK$643.5 million, land use rights with carrying value of HK$40.8 million, trade receivables of HK$59.1 million and restricted bank deposits of HK$9.3 million were pledged as collateral for the Group's borrowings. Borrowings totalling HK$259.1 million (2009: HK$212.2 million) were secured by personal guarantees provided by a Director and corporate guarantees by certain subsidiaries as of 31 March 2010. The Group has obtained an agreement in principle from the relevant financial institution to replace the personal guarantees provided by a Director with corporate guarantees from the Company.

Contingent Liabilities

In April 2009, certain subsidiaries of the Group received notices of additional assessment dated 30 March 2009 from the Hong Kong Inland Revenue Department ("IRD") for the year of assessment 2002/03, demanding additional profits tax payment in the aggregate amount of HK$3.8 million. Notices of objection have been served and the IRD has granted unconditional holdover orders in respect of the entire amount of additional profits tax demanded. The Group was informed that the additional assessments are of protective nature and were issued to keep the 2002/03 tax year technically open in view of the statutory time-bar. The Group was also informed that the IRD had no specific basis in arriving at the profits assessed under the additional assessments, and the case is still in the information collection stage.

In March 2010, certain subsidiaries of the Group received notices of additional assessment dated 15 March 2010 from the IRD for the year of assessment 2003/2004, demanding additional profits tax payment in the aggregate amount of HK$7.7 million. Notices of objections have been served by the Group for these notices of additional assessments. The Group was informed that the additional assessments are of protective nature and were issued to keep the 2003/04 tax year technically open in view of the statutory time-bar. The Group was also informed that the IRD had no specific basis in arriving at the profits assessed under the additional assessments, and the case is still in the information collection stage.

As such, the Group is of the view that there is no present obligation and no reliable basis for estimating and making provision for potential tax liabilities, if any, and the corresponding penalty and interest, if any, as at the date of this announcement.

Subsequent to year end in April 2010, one of the subsidiaries of the Group received a notice from the IRD that, in respect of the additional assessment for the year of assessment 2003/2004, HK$1.3 million could be held over unconditionally and the remaining HK$1.0 million could be held over on the condition that an equal amount of tax reserve certificate was purchased. As such, the Group purchased a tax reserve certificate of HK$1.0 million in April 2010.

The Founders have entered into a deed of indemnity with the Group under which they have agreed to indemnify on a joint and several basis each member of the Group in respect of the cash payment for any additional tax assessment for the year of assessment 2002/2003 and any other notices of additional assessment that may be received by any member of the Group for and including the 2003/2004 tax year through the 2009/2010 tax year.

PROSPECTS

The gradual economic recovery worldwide provides a favourable backdrop for the waste paper and recycled tissue paper industries. Especially in China, the major market of the Group, the recycled paper manufacturing and waste paper management industries are expected to be spurred on further by the increasing per capita disposable income and increasing environmental protection awareness in the country.

The successful listing of the Group on the Stock Exchange in March 2010 has laid a solid foundation for the Group's future development. With the goal to be one of the major players with a global brand name in China's green paper industry, the Group aims to expand its market share in existing markets, strengthen its leading position in waste paper management and confidential materials destruction services and increase its production capacity to grasp rapidly emerging business opportunities.

The Group is actively expanding its recycled paper products manufacturing business which brings in higher profit margin for the Group. Moreover, the Group sees strong potential for its own-branded recycled tissue products in China as recycled paper and environmental protection concepts gain greater market awareness. The Group will endeavour to promote its own tissue brands through promotion campaigns to boost the contribution of its branded-products.

To meet the growing demand for recovered paper, the Group plans to strengthen its collection volume by increasing the number of packing stations, enlarging sorting manpower in the Huizhou production base and enhancing waste paper sourcing from existing and new waste paper suppliers in Hong Kong and China. The Group is establishing new packing machines in the China Region for waste paper management services, which are expected to increase waste paper collection capacity by a total of approximately 500,000 tonnes by the end of 2013. It also intends to purchase more shredding machines, and acquire waste paper recycling businesses in China should suitable opportunities arise, in order to increase waste paper processing capacity.

With the macroeconomic environment showing signs of recovery that are favourable to the consumer market and the growing awareness of environmental protection, the Group is confident that with the successful step-by-step execution of its strategies based on its business strengths and competitiveness, it will maintain its leadership in the market.

EMPLOYEES

At 31 March 2010, the Group had 1,964 employees, of which 173 were employed in Hong Kong and 1,791 were employed in the PRC. Employee costs, excluding directors' emoluments, totalled HK$58.3 million for the year (FY 09: HK$64.6 million). All of the Fook Woo Group companies are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

The Company has also adopted a share option scheme on 11 March 2010. During the year, no share option was granted.

The Group did not experience any significant labour disputes or substantial changes in the number of employees that led to any disruption of its normal business operations.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the directors. After specific enquiry, all directors of the Company confirmed that they have complied with the required standard of dealings set out therein from the listing date to the date of this announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of shareholders and enhancing corporate value. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules since the date of its listing on the Stock Exchange, except for the following deviations:

Code Provision A.2.1

This code provision stipulates that the roles of Chairman (responsible for the management of the board of directors) and Chief Executive Officer (responsible for the day-to-day management of the listed issuer's business) should be separate and should not be performed by the same individual. Currently, Mr. Leung Kai Kuen is both the Chairman and the Chief Executive Officer of the Company. As Mr. Leung is one of the Founders of the Group and has extensive experience in waste paper management industry and the recycled paper manufacturing industry, the Board believes that it is in the best interest of the Group to have Mr. Leung taking up both roles for continuous effective management of the Board and business development of the Group.

Code Provision A.5.4

This code provision stipulates that the Board should establish written guidelines on no less exacting terms than the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules for relevant employees (relevant employees include any employees of the Company or a director or employees of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price-sensitive information in relation to the Company or its securities) in respect of their dealings in the securities of the Company. To conform with the said code provision, the Company has adopted such written guidelines at its Board meeting held on 8 July 2010.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises three independent non-executive directors of the Company, namely, Mr. Chung Wai Kwok, Jimmy (Chairman of the Audit Committee), Mr. Chan Kong and Mr. Lee Kwok Chung, has reviewed the financial statements of the Group for the year ended 31 March 2010 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2010 have been agreed by the Group's auditor, PwC Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was successfully listed on the Main Board of the Stock Exchange on 31 March 2010, raising gross proceeds of HK$1,363.9 million (including proceeds from exercise of the over-allotment option). At as 31 March 2010, HK$70.0 million have been used to repay bank borrowings. The remaining net proceeds will be applied in the manner as stated in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from its date of listing on 31 March 2010 to the date of this announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 March 2010, containing information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fookwoo.com) in due course.

By Order of the Board
Fook Woo Group Holdings Limited
Leung Kai Kuen
Chairman

Hong Kong, 8 July 2010

As at the date of this announcement, the Board comprises 3 executive directors, namely, Mr. Leung Kai Kuen (Chairman), Mr. Leung Tat Piu and Mr. Cheng Chun Keung, Thomas; 1 non-executive director, namely, Ms. Cheung Nga Lai, Carol; and 3 independent non-executive directors, namely, Mr. Chung Wai Kwok, Jimmy, Mr. Chan Kong and Mr. Lee Kwok Chung.