福和集團控股有限公司
FOOK WOO GROUP HOLDINGS LIMITED

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

FINANCIAL HIGHLIGHTS

- Revenue increased by 71% to HK$949.8 million
- Gross profit increased by 60% to HK$322.6 million
- Profit attributable to the Company's equity holders increased by 58% to HK$169.4 million
- Earnings per share increased by 14% to HK8.1 cents

INTERIM RESULTS

The board of directors (the "Board") of Fook Woo Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2010. The Company's Audit Committee has reviewed the results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2010 prior to recommending them to the Board for approval.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30 September 2010

	Note	**Unaudited** Six months ended 30 September **2010** ***HK$'000***	Audited Six months ended 30 September 2009 *HK$'000*
Revenue	*4*	**949,822**	554,861
Cost of sales	*5*	**(627,212)**	(353,519)
Gross profit		**322,610**	201,342
Other income		**2,747**	1,514
Other loss, net	*5*	**(23,473)**	(1,902)
Administrative expenses	*5*	**(66,028)**	(52,544)
Selling expenses	*5*	**(33,667)**	(18,698)
Operating profit		**202,189**	129,712
Finance income	*6*	**1,669**	774
Finance costs	*6*	**(4,800)**	(5,597)
Profit before income tax		**199,058**	124,889
Income tax expense	*7*	**(29,634)**	(17,708)
Profit for the period attributable to equity holders of the Company		**169,424**	107,181
Basic and diluted earnings per share for profit attributable to equity holders of the Company	*9*	**HK8.1 cents**	HK7.1 cents
Dividends	*8*	**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Unaudited	Audited
	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period	**169,424**	107,181
Other comprehensive income:		
Exchange translation differences	**57,904**	8,896
Total other comprehensive income for the period, net of tax	**57,904**	8,896
Total comprehensive income for the period attributable to equity holders of the Company	**227,328**	116,077

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 September 2010

	Note	**Unaudited 30 September 2010** ***HK$'000***	Audited 31 March 2010 *HK$'000* *(Note 14)*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,203,136**	1,032,993
Land use rights		**41,345**	40,835
Prepayments		**182,677**	66,554
Deferred income tax assets		**816**	258
Total non-current assets		**1,427,974**	1,140,640
Current assets			
Inventories		**95,326**	62,438
Trade and bills receivables	*10*	**401,313**	350,324
Prepayments, deposits and other receivables		**88,183**	59,879
Amounts due from related companies		**926**	705
Amount due from a shareholder		**–**	14,110
Tax recoverable		**249**	488
Cash and cash equivalents		**954,372**	1,079,216
Restricted bank deposits		**–**	9,294
Total current assets		**1,540,369**	1,576,454
Total assets		**2,968,343**	2,717,094
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**209,300**	200,000
Share premium		**2,120,615**	1,923,706
Capital reserve		**(964,044)**	(964,044)
Other reserves		**1,263,478**	1,036,150
Total equity		**2,629,349**	2,195,812
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**27,907**	27,273
Deferred income tax liabilities		**1,689**	360
Total non-current liabilities		**29,596**	27,633

	Note	Unaudited 30 September 2010 HK$'000	Audited 31 March 2010 HK$'000 (Note 14)
Current liabilities			
Trade and other payables	*11*	**145,522**	223,130
Short-term bank borrowings		**117,617**	225,087
Current portion of long-term borrowings		**13,953**	27,272
Amounts due to related companies		**–**	27
Current income tax liabilities		**32,306**	18,133
Total current liabilities		**309,398**	493,649
Total liabilities		**338,994**	521,282
Total equity and liabilities		**2,968,343**	2,717,094
Net current assets		**1,230,971**	1,082,805
Total assets less current liabilities		**2,658,945**	2,223,445

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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.

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.

This condensed consolidated interim financial information is presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 November 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2010 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting" issued by the International Accounting Standards Board and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendments to standards and interpretations are mandatory to the Group for the financial year beginning 1 April 2010:

IFRSs (Amendments)	Improvements to IFRSs (2008 and 2009)
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 (Amendment)	Classification of Rights Issue
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Revised)	First-Time Adoption of International Financial Reporting Standards
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC-Int 17	Distribution of Non-cash Assets to Owners
IFRIC-Int 18	Transfers of Assets from Customers

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

The following new standard, amendments to standards and new interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted by the Group:

IFRSs (Amendments)	Improvements to IFRSs (2010)
IAS 24 (Revised)	Related Party Disclosures
IFRS 1 (Amendment)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
IFRS 9	Financial Instruments
IFRIC-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement and their Interaction
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

4 **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 People's Republic of China (the "PRC") and overseas markets, the chief operating decision maker of the Group regularly reviews the Group financial results by business segment to assess performance and make resources allocation decisions.

Revenue consists of sales of recovered papers, tissue paper products and recycled greyboard and provision of confidential materials destruction services. The Group's revenue comprises the following:

	Unaudited	Audited
	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Sales of recovered paper	**552,161**	292,452
Sales of tissue paper products	**372,328**	247,418
Sales of recycled greyboard	**23,376**	13,107
Provision of confidential materials destruction services	**1,957**	1,884
	949,822	554,861

The analysis of the Group's revenue from external customers attributed to the locations in which the sales originated during the period consists of the following:

	Unaudited	Audited
	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**267,891**	186,558
The PRC	**681,931**	368,303
	949,822	554,861

The geographical location of non-current assets other than deferred tax assets are determined based on the countries of domicile of the subsidiaries.

The segment results and other segment items included in the profit for the six months ended 30 September 2010 are as follows:

	Unaudited				
	Recovered paper *HK$'000*	**Tissue paper products** *HK$'000*	**Recycled greyboard** *HK$'000*	**CMD** *HK$'000*	**Group** *HK$'000*
Revenue	**552,161**	**372,328**	**23,376**	**1,957**	**949,822**
Cost of sales	**(380,573)**	**(224,437)**	**(20,843)**	**(1,359)**	**(627,212)**
Segment gross profit	**171,588**	**147,891**	**2,533**	**598**	**322,610**
Unallocated operating costs					**(120,421)**
Finance costs, net					**(3,131)**
Profit before income tax					**199,058**
Income tax expense					**(29,634)**
Profit for the period					**169,424**

The segment results and other segment items included in the profit for the six months ended 30 September 2009 are as follows:

	Audited				
	Recovered paper *HK$'000*	Tissue paper products *HK$'000*	Recycled greyboard *HK$'000*	CMD *HK$'000*	Group *HK$'000*
Revenue	292,452	247,418	13,107	1,884	554,861
Cost of sales	(197,222)	(141,088)	(14,251)	(958)	(353,519)
Segment gross profit/(loss)	95,230	106,330	(1,144)	926	201,342
Unallocated operating costs					(71,630)
Finance costs, net					(4,823)
Profit before income tax					124,889
Income tax expense					(17,708)
Profit for the period					107,181

5 Operating profit

Operating profit is stated after charging/crediting the following:

	Unaudited	Audited
	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Charging:		
Auditor's remuneration	**1,118**	797
Amortisation of land use rights	**434**	240
Cost of inventories sold	**558,889**	308,790
Depreciation	**37,375**	23,158
Operating lease charges in respect of land and buildings	**3,622**	2,838
Employee benefit expense	**36,554**	26,689
Directors' emoluments	**2,956**	1,423
Transportation costs	**36,604**	26,444
Exchange loss, net	**23,681**	2,321
Provision for impairment of trade receivables	**–**	1,811
Crediting:		
Gain on disposals of property, plant and equipment, net	**70**	298
Write back of provision for impairment of trade receivables	**562**	–

6 Finance income and costs

	Unaudited	Audited
	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Finance income	**1,669**	774
Finance costs		
Interest expenses on bank borrowings	**(3,803)**	(5,597)
Others	**(997)**	–
	(4,800)	(5,597)

7 Income tax expense

	Unaudited	Audited
	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**276**	941
– PRC corporate income tax	**28,587**	16,476
Over provisions in prior years	**–**	(40)
	28,863	17,377
Deferred tax		
Origination and reversal of temporary differences	**771**	331
	771	331
Income tax expense	**29,634**	17,708

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2010 (2009: 16.5%).

Huizhou Fook Woo Paper Company Limited ("FWHZ"), a subsidiary operating in the PRC, was 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 period ended 30 September 2010 was 12.5% (2009: 12.5%).

8 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2010 (2009: HK$Nil).

9 Basic and diluted earnings per share

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

As disclosed in the Company's annual financial statements for the year ended 31 March 2010, the weighted average number of ordinary shares in issue for the six months ended 30 September 2009 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 pursuant to the global offering of the Company had been in issue prior to the incorporation of the Company.

	Unaudited	Audited
	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Profit attributable to the equity holders of the Company	**169,424**	107,181
Weighted average number of ordinary shares in issue (thousand shares)	**2,088,934**	1,500,000
	HK8.1 cents	HK7.1 cents

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

10 Trade and bills receivables

	Unaudited	Audited
	30 September	31 March
	2010	2010
	HK$'000	*HK$'000*
Trade and bills receivables	**406,588**	356,159
Less: provision for impairment	**(5,275)**	(5,835)
Trade and bills receivables – net	**401,313**	350,324

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 10 days to 90 days. As of 30 September 2010 and 31 March 2010, the ageing analysis of trade and bill receivables based on due date is as follows:

	Unaudited 30 September 2010	Audited 31 March 2010
	HK$'000	*HK$'000*
Current	**318,347**	283,316
1 – 30 days	**60,979**	36,417
31 – 60 days	**10,719**	15,378
61 – 90 days	**6,092**	1,304
91 – 120 days	**2,240**	2,297
Over 120 days	**8,211**	17,447
	406,588	356,159
Less: Provision for impairment	**(5,275)**	(5,835)
	401,313	350,324

11 Trade and other payables

	Unaudited 30 September 2010	Audited 31 March 2010
	HK$'000	*HK$'000*
Trade payables	**69,304**	82,030
Other payables and accruals	**76,218**	141,100
	145,522	223,130

The ageing analysis of the Group's trade payables is as follows:

	Unaudited 30 September 2010	Audited 31 March 2010
	HK$'000	*HK$'000*
Current	**58,621**	54,144
1 – 30 days	**2,361**	9,720
31 – 60 days	**2,427**	1,551
61 – 90 days	**428**	2,990
91 – 120 days	**393**	2,146
Over 120 days	**5,074**	11,479
	69,304	82,030

12 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 2002/2003, demanding additional profits tax payment in the aggregate amount of HK$3,840,000. 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 2002/2003 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$7,700,000. 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 2003/2004 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.

In April 2010, certain subsidiaries of the Group received notices from the IRD that, in respect of the additional assessment for the year of assessment 2003/2004, HK$6,700,000 could be held over unconditionally and the remaining HK$1,000,000 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$1,000,000 in April 2010.

Mr. Leung Kai Kuen and Ms. Tam Ming Luen, substantial shareholders of the Company, 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.

13 Subsequent events

The following event took place subsequent to 30 September 2010:

On 7 October 2010, the Company and Chow Tai Fook Nominee Limited, (the "Subscriber"), entered into a conditional subscription agreement pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for an aggregate of 366,275,000 new shares of the Company at the subscription price of HK$2.40 per share for a total consideration of HK$879,060,000. The transaction was completed on 26 October 2010.

14 Comparative figures

Certain of the comparative figures have been reclassified to conform to the current period's presentation. These reclassifications have no impact on the Group's total equity as at both 31 March 2010 and 30 September 2010, or on the Group's profit for the periods ended 30 September 2009 and 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With China's rapid economic development and its continued increase in per capita income, market demand and consumption for paper products have been rising and the consumers are expecting higher quality tissue products. At the same time, environmental protection has become a global concern. Environmental awareness in many places, including Mainland China, has been enhanced, which significantly fostered the businesses of recovered paper and recycled tissue paper. In the first half of financial year of 2011, the Group, leveraging on the momentum in the second half of the financial year 2010, rapidly recovered from the downturn caused by the financial crisis in the same period last year. The performance of its core businesses continued to improve. Being a leading vertically integrated provider of waste paper management, the Group actively expanded its waste paper collection business, and expanded the sales network of its own-branded recycled tissue paper products, while fully capturing synergies brought by sales of greyboard and provision of confidential materials destruction services (CMDS), and thus recorded satisfactory business performance in the period under review.

Segmental Analysis

Recovered paper

During the period under review, revenue from recovered paper was HK$552.2 million, representing an increase of 88.8% as compared to the same period last year, contributing approximately 58.1% of the Group's revenue. In order to meet the huge market demand, the Group has adopted appropriate strategies in Hong Kong and Mainland China. In Hong Kong, the Group actively developed channels for collecting waste paper and increased the proportion of waste paper collected from household. In August this year, it started up a new waste paper packing station in Tsing Yi to increase the collection volume. In Mainland China, the strengthening of financial resources and goodwill brought about by the successful listing of the Group in Hong Kong has served to attract more printing shops in the northern part of China to collaborate with the Group. In addition, the Group has also strived to develop the business of collecting waste paper from household in China, which significantly broadened the sources of recovered paper.

Tissue Paper Products

Economic recovery and increase in environmental awareness has driven the revenue of tissue paper products upwards by 50.5% as compared with the same period last year, to HK$372.3 million, accounting for approximately 39.2% of total revenue in the period under review. The Group's orders from OEM customers and away-from-home customers have recorded steady growth. In addition, during the period the Group actively promoted recycled tissue paper products under its own brand names, namely Moonily, Smoovie and See-Mia and significantly expanded its sales and distribution network in China. Accordingly, the number of large chain stores selling the Group's owned branded products increased from 148 as at the end of March 2010 to approximately 300 as at the end of September 2010. These newly added chain stores are mainly located in the major cities of Southern China.

During the period under review, the Group established a logistics center each in Hunan and Jiangxi which went into operation in October 2010. This will not only strengthen the Group's distribution network in second and third tier cities to cover smaller retailers, but will also increase its market share outside Southern China. To capture the huge opportunities in Mainland China, the Group increased its efforts in sales and marketing, significantly expanded its sales team, explored opportunities for cooperation with distributors in different regions and worked with a number of large chain stores to promote the Group's products.

Confidential Materials Destruction Services (CMDS)

Confidential Materials Destruction Services is a strategic operation of the Group. It can provide stable and ample supply of quality waste paper for the Group. Customers in this segment include government bodies, financial and professional institutions and banks. During the period under review, the number of customers of the segment increased significantly and contributed revenue of HK$2.0 million to the Group, representing an increase of 3.9% over the same period last year.

Greyboard

During the period under review, this segment recorded revenue of HK$23.4 million. 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 hard roll towels for its own recycled tissue paper products.

Geographical Analysis

The Group services and markets its products in Mainland China, the United States, Japan, Hong Kong, Australia, and to customers across other countries. Mainland China is the largest market of the Group (analysed according to the locations in which sale originated), generating HK$681.9 million of revenue and accounting for approximately 71.8% of the Group's total revenue. It is expected that Mainland 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 for future development. Revenue from sales originated in Hong Kong to other regions including the United States, Japan, Hong Kong, Australia, etc. accounted for approximately 28.2% of the Group's total revenue.

Operational Analysis

As at 30 September 2010, the Group operated five waste paper packing stations in Hong Kong and one waste paper packing station in Mainland China. During the period under review, the total collection volume was 353,471 tonnes. The Group also operated one secured destruction facility for CMDS in Hong Kong. The annual production capacity of recycled tissue paper from the production facility operated by the Group in Mainland China has increased to 101,000 tonnes.

The Group's production base in Huizhou has a pier and it operates two piers in Hong Kong. Such facilities enable the Group to deliver waste paper collected in Hong Kong to the production plant and to customers in Mainland China in a cost-effective, reliable and efficient manner, and therefore have provided the Group with a significant advantage over its peers.

Subscription of Shares

On 7 October 2010, the Company entered into a conditional subscription agreement with Chow Tai Fook Nominee Limited ("Chow Tai Fook"), pursuant to which Chow Tai Fook subscribed for an aggregate of 366,275,000 subscription shares at the subscription price of HK$2.40 per share for a total consideration of HK$879,060,000. The subscription agreement not only broadened the shareholder base of the Group, but also provided more funds for the Group's future development, as well as reflected the confidence of a renowned institutional investor in the prospects of the Group.

FINANCIAL REVIEW

Operating Results

The profit attributable to equity holders of the Company for the six months ended 30 September 2010 was approximately HK$169.4 million (same period of 2009: HK$107.2 million), representing an increase of HK$62.2 million or 58.0% over the same period of last year.

The Group's revenue for the six months ended 30 September 2010 amounted to HK$949.8 million, representing an increase of 71.2% as compared with the same period of last year's HK$554.9 million. Gross profit also rose by 60.3% in the current period to approximately HK$322.6 million as compared with the same period of last year's HK$201.3 million.

In line with the revenue growth, the Group reported an operating profit of approximately HK$202.2 million for the six months ended 30 September 2010 (same period of 2009: HK$129.7 million), representing a growth of 55.9%.

Other Loss, net

During the period, the Group recorded an exchange loss of HK$23.7 million, which mainly represented exchange loss of the Company. Since the Company's functional currency is Renminbi ("RMB"), given the appreciation of RMB against Hong Kong dollars ("HKD"), the translation of the Company's HKD denominated monetary assets has given rise to an exchange loss.

Income Tax Expense

Income tax expense for the six months ended 30 September 2010 was HK$29.6 million, representing an increase of 67.2% as compared to HK$17.7 million for the same period of last year. The effective tax rate was 14.9% for the six months ended 30 September 2010, compared to 14.2% for the same period of last year.

Profit for the Period Attributable to the Equity Holders of the Company

The Group's profit attributable to the equity holders of the Company for the six months ended 30 September 2010 was HK$169.4 million, representing an increase of 58.0% compared to HK$107.2 million for the same period of last year. Profit attributable to the equity holders of the Company as a percentage of revenue was 17.8% for the six months ended 30 September 2010, compared to 19.3% in the same period of last year.

Liquidity and Financial Resources

As at 30 September 2010, the Group had bank and cash balances of approximately HK$954.4 million. Total bank borrowings of the Group with floating rates amounted to approximately HK$159.5 million as at 30 September 2010. This included long-term borrowings of approximately HK$41.9 million and short-term bank borrowings of approximately HK$117.6 million. All bank borrowings were due within 5 years.

As at 30 September 2010, the Group had net current assets of approximately HK$1,231.0 million, as compared to net current assets of approximately HK$1,082.8 million as at 31 March 2010. The current ratio of the Group was 4.98 as at 30 September 2010 as compared to 3.19 as at 31 March 2010.

In the period under review, the Group generated net cash of HK$118.2 million from its operating activities, as compared to HK$101.7 million in the same period of last year. Net cash used in investing activities was HK$297.8 million, which mainly included capital expenditures of HK$300.1 million less proceeds from disposal of property, plant and equipment and interest received.

During the period, the net cash inflow from financing activities amounted to HK$46.3 million, included in which were mainly the gross proceeds from issuance of ordinary shares pursuant to the exercise of the over-allotment option amounting to HK$213.9 million, repayment of bank borrowings of HK$117.4 million and the payment for share issuance costs amounting to HK$55.8 million.

Foreign Exchange

The Group's principal production facilities are located in the PRC whilst most of its sales and purchases are transacted in RMB, United States dollars ("USD") and HKD. Furthermore, most of the Group's monetary assets and liabilities are denominated in these currencies.

As stated in the section headed "Other loss, net", the Group has recorded an exchange loss of HK$23.7 million in the Group's condensed consolidated interim income statement for the six months ended 30 September 2010. On the other hand, given the appreciation of RMB against HKD, the Group has recognised an exchange difference of HK$57.9 million in other comprehensive income, which represented the translation of the financial statements of the Company and the net investment in a foreign operation for the six months ended 30 September 2010; thereby increasing the capital and reserves attributable to equity holders of the Company by the same amount.

Management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between these currencies and will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30 September 2010 are disclosed in note 12 to the condensed consolidated interim financial information.

PROSPECTS

With awareness of environmental protection increasing generally, China, the major market of the Group, has also been attaching greater importance to environmental protection. In order to improve the environment and achieve the target of energy saving and emission reduction, China has placed the concept of "energy saving and emission reduction" in first place under the "seven major industries" in the proposals of the 12th Five-Year Plan, and formulated a range of corresponding measures. Economically, the Five-Year Plan advocates the expansion of domestic demand, and the improvement of consumption power of low income group. The promotion of environmental policies and economic development of China, together with the gradual recovery of the global economy from the financial crisis will create huge opportunities for the Group's business of recovered paper and tissue paper products.

For waste paper collection, the Group has established a new packing station in Kwun Tong in October this year. In addition, it has identified two other locations for the establishment of new packing stations, one of which will have a pier. With such facilities, the Group can deliver waste paper to the production base at Huizhou for sorting process in a faster and more convenient way, and benefit from cost-effective and efficient logistics. It is expected that the two new packing stations will commence operation in the second half of the financial year.

For tissue paper products, in addition to the production of bathroom tissue, jumbo rolls and paper towels for OEM customers and away-from-home customers, and the promotion of its own brands of tissue paper, the Group will enrich its product mix and actively increase the proportion of high margin products. At the same time as the Group strengthened the production line for paper napkins, it has also purchased new machinery for the production of pocket tissue and facial tissue. The new machinery has commenced operation in November this year and make a positive impact on the revenue of the Group in the second half of the financial year. The Group is also planning to further increase the production capacity of tissue paper products at the end of the financial year of 2011 through enhancement of existing machines.

Furthermore, the Group will continue to expand its confidential materials destruction services to regions outside of Southern China and increase waste paper processing facilities in Shanghai. This will increase the Group's revenue as well as secure the supply of more quality waste paper.

On 8 November 2010, the Group announced the leasing of a parcel of land located in the Tseung Kwan O Industrial Estate with an area of approximately 12,277 square meters from Hong Kong Science and Technology Parks Corporation for the setting up of its new headquarters, which is expected to commence operation in or around October 2013. The new headquarters for office and administrative functions will include converting process facilities and confidential materials destruction services for the recycled tissue paper business. This will facilitate the development of the logistics of the Group's recycling business as well as the expansion of its market share in the recycling business, the recycled tissue paper business and the confidential materials destruction services.

As one of the largest waste paper management services providers and producers of recycled tissue paper products in the China region and the largest confidential materials destruction services provider in Hong Kong, the Group will leverage on the external operating environment and its own competitive advantages, coupling with stringent cost control and timely market strategies, to capture further development opportunities and realize a sustainable and rapid growth in business.

EMPLOYEES

At 30 September 2010, the Group had 2,097 employees, of which 177 were employed in Hong Kong and 1,920 were employed in the PRC. Employee costs, excluding directors' emoluments, totaled HK$36.6 million for the six months ended 30 September 2010 (same period of 2009: HK$26.7 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 six months ended 30 September 2010, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the CG Code. 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.

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

The Company raised net proceeds of approximately HK$1,047.3 million and HK$203.6 million by way of the Global Offering (as defined in the Prospectus) and from the allotment and issue of the Overallotment Shares pursuant to the Over-allotment Option (as defined in the Prospectus), respectively. As at 30 September 2010, HK$333.0 million have been used in the manner as described in the Prospectus and HK$917.9 million remained unutilized.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiries, all the directors of the Company confirmed that they have complied with the standard set out in the Model Code during the six months ended 30 September 2010.

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 during the six months ended 30 September 2010.

REVIEW OF INTERIM RESULTS

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 condensed consolidated interim financial information of the Group for the six months ended 30 September 2010 and discussed with the management of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

The interim financial information for the six months ended 30 September 2010 has not been audited but has been reviewed by the Company's external auditor.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.fookwoo.com). The interim report of the Company for the six months ended 30 September 2010 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 29 November 2010

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