



**CLIMAX INTERNATIONAL COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*  
*(Stock Code : 439)*

# 2011-12

## INTERIM REPORT



## CONTENTS

|  |    |
|--|----|
| Corporate Information                                    | 2  |
| Condensed Consolidated Statement of Comprehensive Income | 3  |
| Condensed Consolidated Statement of Financial Position   | 4  |
| Condensed Consolidated Statement of Changes in Equity    | 5  |
| Condensed Consolidated Statement of Cash Flows           | 6  |
| Notes to the Condensed Consolidated Financial Statements | 7  |
| Management Discussion and Analysis                       | 16 |
| Directors' and Chief Executives' Interests in Shares     | 18 |
| Substantial Shareholders' Interests in Shares            | 19 |
| Share Option   | 20 |
| Corporate Governance                                     | 21 |
| Purchase, Sale or Redemption of Listed Securities        | 21 |
| Review of Interim Results                                | 22 |

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Director

WONG Hin Shek (*Chief Executive Officer*)

#### Independent Non-executive Directors

LAU Man Tak

MAN Kwok Leung

WONG Yun Kuen

### COMPANY SECRETARY

TSANG Kwai Ping

### AUDIT COMMITTEE

LAU Man Tak (*Chairman*)

MAN Kwok Leung

WONG Yun Kuen

### REMUNERATION COMMITTEE

LAU Man Tak (*Chairman*)

MAN Kwok Leung

WONG Yun Kuen

### AUDITOR

SHINEWING (HK) CPA Limited

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 906, 9/F

Wings Building

110-116 Queen's Road Central  
Central

Hong Kong

Tel: (852) 3970 4060

Fax: (852) 3970 4065

Website: [www.climaxintlco.com](http://www.climaxintlco.com)

### REGISTRARS

#### Hong Kong

Tricor Secretaries Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

#### Bermuda

Codan Service Limited

2 Church Street

Hamilton HM11

Bermuda

### PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong)  
Limited

Bank of Communications Co., Limited

Bank of China (Hong Kong) Limited

### STOCK CODE

439

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The board of directors (the “Board”) of Climax International Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011 as follows:

|  | Notes | Six months ended 30 September   |   |
|--|-------|---------------------------------|---|
|  |       | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited)<br>(Re-presented) |
| <b>Continuing operation</b>  |       |                                 |   |
| Revenue  | 3     | —                               | —   |
| Other income   |       | 492                             | 161   |
| Administrative expenses  |       | (1,199)                         | (3,336)   |
| Gain on changes in fair value of<br>held for trading investments   |       | 327                             | 285   |
| Finance costs  |       | (1)                             | (1)   |
| Loss before tax  |       | (381)                           | (2,891)   |
| Income tax expense   | 4     | —                               | —   |
| Loss for the period attributable to owners of<br>the Company from continuing operation                         | 5     | (381)                           | (2,891)   |
| <b>Discontinued operation</b>  |       |                                 |   |
| (Loss)/profit for the period attributable to owners<br>of the Company from discontinued operation              | 6     | (115)                           | 1,132   |
| Loss for the period and other comprehensive<br>expense for the period attributable to<br>owners of the Company |       | (496)                           | (1,759)   |
| <b>Loss per share</b>  |       |                                 |   |
| Basic and diluted loss per share<br>(in Hong Kong cents)   | 7     |                                 |   |
| — From continuing operation  |       | (0.03)                          | (0.25)  |
| — From discontinued operation  |       | (0.01)                          | 0.10  |
|  |       | (0.04)                          | (0.15)  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | Notes | At<br>30 September<br>2011<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2011<br>HK\$'000<br>(Audited) |
|--|-------|---|---|
| <b>Non-current asset</b>   |       |   |   |
| Plant and equipment  | 9     | 884   | 240   |
| <b>Current assets</b>  |       |   |   |
| Trade receivables  | 10    | —   | 21  |
| Deposits, prepayments and other receivables                                    |       | 5,098   | 6,211   |
| Held for trading investments   |       | 4,625   | 4,299   |
| Deposits in other financial institution  |       | 233   | 170   |
| Bank balances and cash   |       | 59,213  | 59,908  |
|  |       | <b>69,169</b>   | <b>70,609</b>                                   |
| <b>Current liabilities</b>   |       |   |   |
| Trade and other payables   | 11    | 2,233   | 2,526   |
| Income tax payable   |       | —   | 4   |
| Obligation under finance leases<br>— amount due within one year                |       | 6   | 6   |
|  |       | <b>2,239</b>  | <b>2,536</b>                                    |
| <b>Net current assets</b>  |       | <b>66,930</b>   | <b>68,073</b>                                   |
| <b>Total assets less current liabilities</b>                                   |       | <b>67,814</b>   | <b>68,313</b>                                   |
| <b>Non-current liability</b>   |       |   |   |
| Obligations under finance leases<br>— amount due after one year                |       | 15  | 18  |
| <b>Net assets</b>  |       | <b>67,799</b>   | <b>68,295</b>                                   |
| <b>Capital and reserves</b>  |       |   |   |
| Share capital  | 12    | 11,486  | 11,486  |
| Reserves   |       | 56,313  | 56,809  |
| <b>Total equity attributable to owners of<br/>the Company and total equity</b> |       | <b>67,799</b>   | <b>68,295</b>                                   |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Attributable to owners of the Company |                              |  |                                |                                    |                                   | Total<br>HK\$'000 |
|--|---------------------------------------|------------------------------|--|--------------------------------|------------------------------------|-----------------------------------|-------------------|
|  | Share<br>capital<br>HK\$'000          | Share<br>premium<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 |                   |
| At 1 April 2010 (audited)  | 11,486                                | 131,205                      | 2,260                                  | 17,900                         | 103,941                            | (194,126)                         | 72,666            |
| Loss for the period and other<br>comprehensive expense<br>for the period | —                                     | —                            | —                                      | —                              | —                                  | (1,759)                           | (1,759)           |
| At 30 September 2010<br>(unaudited)                                      | 11,486                                | 131,205                      | 2,260                                  | 17,900                         | 103,941                            | (195,885)                         | 70,907            |
| At 1 April 2011 (audited)  | 11,486                                | 131,205                      | 2,260                                  | 17,900                         | 103,941                            | (198,497)                         | 68,295            |
| Loss for the period and other<br>comprehensive expense<br>for the period | —                                     | —                            | —                                      | —                              | —                                  | (496)                             | (496)             |
| At 30 September 2011<br>(unaudited)                                      | 11,486                                | 131,205                      | 2,260                                  | 17,900                         | 103,941                            | (198,993)                         | 67,799            |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|   | Six months ended 30 September   |                                 |
|---|---------------------------------|---------------------------------|
|   | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| CASH USED IN OPERATING ACTIVITIES   | (120)                           | (3,281)                         |
| INVESTING ACTIVITIES  |                                 |                                 |
| Interest received   | 406                             | 181                             |
| Dividend received   | 86                              | 78                              |
| Purchase of plant and equipment   | (1,000)                         | —                               |
| Increase in deposits in other financial institution   | (63)                            | (55)                            |
| NET CASH (USED IN)/FROM INVESTING ACTIVITIES  | (571)                           | 204                             |
| FINANCING ACTIVITIES  |                                 |                                 |
| Principal repayment for obligations under finance leases  | (3)                             | (3)                             |
| Finance leases charges paid   | (1)                             | (1)                             |
| NET CASH USED IN FINANCING ACTIVITIES   | (4)                             | (4)                             |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | (695)                           | (3,081)                         |
| CASH AND CASH EQUIVALENTS AT<br>BEGINNING OF THE PERIOD   | 59,908                          | 69,722                          |
| CASH AND CASH EQUIVALENTS AT<br>THE END OF THE PERIOD, represented by<br>Bank balances and cash | 59,213                          | 66,641                          |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

The functional currency of the Company for the year ended 31 March 2011 is United States dollars (“US\$”) as the major business is derived from US\$. During the six months ended 30 September 2011, no transactions were concluded to generate any trading income from the major business, the functional currency of the other subsidiaries is Hong Kong dollars (“HK\$”). Therefore, the functional currency of the Company is changed to HK\$ for the six months ended 30 September 2011. The presentation currency is HK\$ which is same as the functional currency of the Company.

### 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 for the six months ended 30 September 2011 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011 except as described below.



**2. PRINCIPAL ACCOUNTING POLICIES** (Continued)

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2011.

|  |  |
|--|--|
| HKFRSs (Amendments)                              | Improvements to HKFRSs 2010  |
| HKFRS 1 (Amendment)                              | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters |
| HKAS 24 (Revised)                                | Related Party Disclosures  |
| HKAS 32 (Amendments)                             | Classification of Rights Issues  |
| HK(IFRIC)-Interpretation ("Int") 14 (Amendments) | Prepayments of a Minimum Funding Requirement                                   |
| HK(IFRIC)-Int 19                                 | Extinguishing Financial Liabilities with Equity Instruments                    |

The adoption of the new or revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

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

|                      |   |
|----------------------|---|
| HKFRS 1 (Amendment)  | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup> |
| HKFRS 7 (Amendments) | Disclosure — Transfers of Financial Assets <sup>1</sup>                               |
| HKFRS 9              | Financial Instruments <sup>4</sup>  |
| HKFRS 10             | Consolidated Financial Statements <sup>4</sup>  |
| HKFRS 11             | Joint Arrangements <sup>4</sup>   |
| HKFRS 12             | Disclosure of Interests in Other Entities <sup>4</sup>                                |
| HKFRS 13             | Fair Value Measurement <sup>4</sup>   |
| HKAS 1 (Amendments)  | Presentation of Item of Other Comprehensive Income <sup>3</sup>                       |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets <sup>2</sup>                              |
| HKAS 19 (2011)       | Employee Benefits <sup>4</sup>  |
| HKAS 27 (2011)       | Separate Financial Statements <sup>4</sup>  |
| HKAS 28 (2011)       | Investments in Associates and Joint Ventures <sup>4</sup>                             |
| HK(IFRIC)-Int 20     | Stripping Costs in the Production Phase of a Surface Mine <sup>4</sup>                |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013.

## **2. PRINCIPAL ACCOUNTING POLICIES** (Continued)

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

## **3. REVENUE AND SEGMENT INFORMATION**

For the six months ended 30 September 2010, the Group is organized into a single operating segment of trading of electronic products. The electronic products segment was deemed discontinued on 30 September 2011 as no transactions were concluded to generate any trading income from trading of electronic products during the six months ended 30 September 2011 and the directors of the Company would like to focus on formulating a plan for the resumption of trading of the shares of the Company. Accordingly, no reportable segment is presented.

The revenue and results of electronic products segment are stated in note 6.

The Group's continuing operation is located in Hong Kong. Accordingly, no geographical segment information is presented.

## **4. INCOME TAX EXPENSE**

### **Continuing operation**

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong for both periods.

No provision for tax in other jurisdictions has been made as the Group did not have any assessable profits in the respective jurisdictions for both periods.

## 5. LOSS FOR THE PERIOD

### Continuing operation

|   | Six months ended 30 September   |                                 |
|---|---------------------------------|---------------------------------|
|   | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| Loss for the period has been arrived at after charging: |                                 |                                 |
| Staff costs:  |                                 |                                 |
| Directors' remuneration                                 | 120                             | 120                             |
| Other staff costs                                       | 295                             | 463                             |
| Retirement benefit scheme contributions for staff       | 10                              | 19                              |
| <b>Total staff costs</b>                                | <b>425</b>                      | <b>602</b>                      |
| Depreciation of plant and equipment                     | 173                             | 32                              |
| Lease payment in respect of rented premises             | 168                             | 300                             |
| Loss on written off of plant and equipment              | 183                             | —                               |
| and after crediting:                                    |                                 |                                 |
| Dividend income   | 86                              | 78                              |
| Interest income   | 406                             | 79                              |

## 6. DISCONTINUED OPERATION

During the six months ended 30 September 2011, no transactions were concluded to generate any trading income from trading of electronic products. The business segment of electronic products is classified as discontinued operation on 30 September 2011.

The results of the electronic products operation for the period from 1 April 2011 to 30 September 2011, which have been included in the condensed consolidated statement of comprehensive income, were as follows:

|                              | <b>Six months ended 30 September</b> |             |
|------------------------------|--------------------------------------|-------------|
|                              | <b>2011</b>                          | 2010        |
|                              | <b>HK\$'000</b>                      | HK\$'000    |
|                              | <b>(Unaudited)</b>                   | (Unaudited) |
| Revenue                      | —                                    | 60,000      |
| Cost of sales                | —                                    | (59,084)    |
| Gross profit                 | —                                    | 916         |
| Other income                 | —                                    | 344         |
| Administrative expenses      | <b>(115)</b>                         | (128)       |
| (Loss)/profit before tax     | <b>(115)</b>                         | 1,132       |
| Income tax expense           | —                                    | —           |
| (Loss)/profit for the period | <b>(115)</b>                         | 1,132       |

(Loss)/profit for the period from discontinued operation has been arrived at:

|                               | <b>Six months ended 30 September</b> |             |
|-------------------------------|--------------------------------------|-------------|
|                               | <b>2011</b>                          | 2010        |
|                               | <b>HK\$'000</b>                      | HK\$'000    |
|                               | <b>(Unaudited)</b>                   | (Unaudited) |
| after charging:               |                                      |             |
| Staff costs                   | <b>105</b>                           | 126         |
| and after crediting:          |                                      |             |
| Interest income               | —                                    | 102         |
| Written off of other payables | —                                    | 242         |

## 7. LOSS PER SHARE

### From continuing and discontinued operations

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

|   | <b>Six months ended 30 September</b> |             |
|---|--------------------------------------|-------------|
|   | <b>2011</b>                          | 2010        |
|   | <b>HK\$'000</b>                      | HK\$'000    |
|   | <b>(Unaudited)</b>                   | (Unaudited) |
| Loss for the period attributable to owners of the Company and loss for the purposes of basic loss per share | <b>(496)</b>                         | (1,759)     |

|  | <b>Six months ended 30 September</b> |               |
|--|--------------------------------------|---------------|
|  | <b>2011</b>                          | 2010          |
| Number of shares:  |                                      |               |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <b>1,148,661,140</b>                 | 1,148,661,140 |

### From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

|  | <b>Six months ended 30 September</b> |             |
|--|--------------------------------------|-------------|
|  | <b>2011</b>                          | 2010        |
|  | <b>HK\$'000</b>                      | HK\$'000    |
|  | <b>(Unaudited)</b>                   | (Unaudited) |
| Loss for the period attributable to owners of the Company                          | <b>(496)</b>                         | (1,759)     |
| Less:  |                                      |             |
| (Loss)/profit for the period from discontinued operation                           | <b>(115)</b>                         | 1,132       |
| Loss for the purpose of basic and diluted loss per share from continuing operation | <b>(381)</b>                         | (2,891)     |

The denominators used are the same as those detailed above for both basic and diluted loss per share.

**7. LOSS PER SHARE** (Continued)**From discontinued operation**

Basic and diluted loss per share for the discontinued operation is HK0.01 cent per share (2010: basic and diluted earnings per share of HK0.1 cent) based on the loss for the six months from the discontinued operation of approximately HK\$115,000 (six months ended 30 September 2010: profit of approximately HK\$1,132,000) and the denominators detailed above for basic and diluted loss per share.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during the two periods ended 30 September 2011 and 2010 before the suspension of trading in shares on the Stock Exchange in September 2008.

**8. INTERIM DIVIDEND**

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend for both periods.

**9. PLANT AND EQUIPMENT**

For the six months ended 30 September 2011, the Group spent approximately HK\$1,000,000 (2010: Nil) for acquisition of assets and certain furniture and fixtures of approximately HK\$183,000 (2010: Nil) has been written off as no future economic benefits were expected to arise from these assets.

**10. TRADE RECEIVABLES**

The Group allows an average credit period of 90 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date net of allowance for doubtful debts:

|               | <b>30 September<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 March<br>2011<br>HK\$'000<br>(Audited) |
|---------------|---|---|
| 0–30 days     | —   | —   |
| 31–60 days    | —   | 9   |
| 61–90 days    | —   | 9   |
| 91–120 days   | —   | 3   |
| Over 120 days | —   | —   |
|               | —   | 21  |

**11. TRADE AND OTHER PAYABLES**

|                                    | <b>30 September<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 March<br>2011<br>HK\$'000<br>(Audited) |
|------------------------------------|---|---|
| Trade payables                     | —   | —   |
| Other payables and accrued charges | <b>2,233</b>  | 2,526                                     |
|                                    | <b>2,233</b>  | 2,526                                     |

**12. SHARE CAPITAL**

|  | <b>30 September<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 March<br>2011<br>HK\$'000<br>(Audited) |
|--|---|---|
| Authorised:                            |   |   |
| 10,000,000,000 (2010:10,000,000,000)   |   |   |
| Ordinary shares of HK\$0.01 each       | <b>100,000</b>  | 100,000                                   |
|  | <b>Number<br/>of shares</b>                               | <b>Share<br/>capital<br/>HK\$'000</b>     |
| Issued and fully paid:                 |   |   |
| Ordinary shares of HK\$0.01 each       |   |   |
| At 31 March 2011 and 30 September 2011 | 1,148,661,140   | 11,486                                    |

**13. COMMITMENTS**

|  | <b>30 September<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 March<br>2011<br>HK\$'000<br>(Audited) |
|--|---|---|
| Capital expenditure in respect of acquisition of<br>assets contracted but not provided in<br>the condensed consolidated financial statements | —   | 565                                       |

#### 14. RELATED PARTY TRANSACTIONS

Other than the details as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 September 2011, the Group entered into the following related party transactions:

- (i) the Group paid rent amounting HK\$100,000 during the six months ended 30 September 2011 (six months ended 30 September 2010: HK\$300,000) to Kingston Property Investment Limited, of which Mr. Tse On Kin, the former director of the Company, is one of the directors.
- (ii) the Group paid rent amounting HK\$68,000 during six months ended 30 September 2011 (six months ended 30 September 2010: Nil) to Coast Holdings Limited, of which Mr. Tse On Kin, the former director of the Company, is one of the directors.

#### 15. COMPARATIVES

The comparative figures of condensed consolidated statement of comprehensive income have been re-presented to conform with the current period's presentation as a result of the discontinued operation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".



## MANAGEMENT DISCUSSION AND ANALYSIS

### PERFORMANCE REVIEW

For the six months ended 30 September 2011 (the “Interim Period”), no turnover was recorded (for the six months ended 30 September 2010 (“2010”): HK\$60 million).

Loss attributable to owners of the Company decreased to HK\$0.5 million (2010: loss attributable to owners of the Company: HK\$1.8 million).

### OUTLOOK

The Company has submitted an updated proposal, which includes a proposed acquisition of a group of companies engaged in manufacture and sales of paper packaging products and paper gift items and the printing of paper promotional materials, to the Stock Exchange on 7 September 2011 for the purpose of resumption of trading of shares of the Company so as to protect the interests of the Company and its shareholders as a whole. The proposal was under review by the Stock Exchange and further announcement will be released as and when appropriate.

The Company is confident that, if the proposal is successfully implemented, the Group will have sufficient level of operations or assets under Rule 13.24 of the Listing Rules.

Besides, the Group will continue to seize upon suitable investment opportunities to provide tremendous value-added to shareholders.

### CAPITAL STRUCTURE

The Group had no change in capital structure during the Interim Period.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the total shareholders fund of the Group amounted to HK\$68 million (31 March 2011: HK\$68 million), total assets of HK\$70 million (31 March 2011: HK\$71 million) and total liabilities of HK\$2 million (31 March 2011: HK\$3 million).

The gearing ratio as of 30 September 2011, defined as the percentage of total interest bearing debt to net asset value, was 0.03% (31 March 2011: 0.04%).

The Group’s business operation and investment are in Hong Kong and most assets, liabilities and transactions of the Group are denominated in HK\$. The directors did not consider the Group was exposed to any significant foreign currency exchange risk.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **INVESTMENT POSITION AND PLANNING**

During the Interim Period, the Group spent approximately HK\$1 million (2010: Nil) for acquisition of assets.

The Group has invested in shares that are traded over the Stock Exchange. As at 30 September 2011, the Group held shares with fair value of approximately HK\$5 million (31 March 2011: HK\$4 million).

Save as disclosed above, the Group did not have any significant investment and there are no other material acquisition or disposal of subsidiaries and associated companies during the Interim Period.

### **CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES**

As at 30 September 2011, the Group did not pledge any asset (31 March 2011: Nil).

As at 30 September 2011, the Group had no significant contingent liabilities (31 March 2011: Nil).

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2011, the Group had 1 employee. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

### **CONNECTED TRANSACTIONS**

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirement of the Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2011, the following directors or chief executives of the Company or their associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

| Name of Director | Capacity                              | Number of shares or<br>underlying shares held |  | Total<br>interest | Percentage of<br>the issued<br>share capital |
|------------------|---------------------------------------|---|--|-------------------|--|
|                  |                                       | Interest in<br>ordinary<br>shares held        | Interest in<br>underlying<br>ordinary<br>shares held |                   |  |
| Tse On Kin       | Interest of controlled<br>corporation | 176,000,000<br>(Note)                         | —  | 176,000,000       | 15.32%                                       |

Note: The shares are held by Good Power International Limited of which the entire issued capital is beneficially owned by Mr. Tse On Kin, the former director of the Company. Accordingly, Mr. Tse On Kin is deemed to be interested in the shares beneficially owned by Good Power International Limited.

Save as disclosed above, as at 30 September 2011, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any directors or chief executives or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2011, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of shareholders   | Capacity                           | Number of shares or underlying shares held |   | Total interest | Percentage of the issued share capital |
|--|------------------------------------|--|---|----------------|--|
|  |                                    | Interest in ordinary shares held           | Interest in underlying ordinary shares held |                |  |
| Good Power International Limited                             | Beneficial owner                   | 176,000,000                                | —   | 176,000,000    | 15.32%                                 |
| Tse On Kin   | Interest of controlled corporation | 176,000,000<br>(Note 1)                    | —   | 176,000,000    | 15.32%                                 |
| Sky Will Printing & Packaging (BVI) Limited ("Sky Will BVI") | Beneficial owner                   | —  | 200,000,000<br>(Note 2)                     | 200,000,000    | 17.41%                                 |
| Fung Ming  | Interest of controlled corporation | —  | 200,000,000<br>(Note 3)                     | 200,000,000    | 17.41%                                 |

### Notes:

- (1) The shares are held by Good Power International Limited of which the entire issued capital is beneficially owned by Mr. Tse On Kin, the former director of the Company. Accordingly, Mr. Tse On Kin is deemed to be interested in the shares beneficially owned by Good Power International Limited.
- (2) The interest in underlying shares represents part of a consideration of HK\$110 million, of which HK\$20 million payable by way of issue of convertible notes, for a conditional sale and purchase agreement and a supplemental agreement entered by the Company to purchase the entire interest of a company which, together with its subsidiaries, is principally engaged in manufacture and sales of paper packaging products and paper gift items and the printing of paper promotional materials on 20 January 2011 and 30 September 2011, respectively.
- (3) Sky Will BVI is 40% owned by Mr. Fung Ming. Accordingly, Mr. Fung Ming is deemed to be interested in the underlying shares beneficially owned by Sky Will BVI.

Save as disclosed above, as at 30 September 2011, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION

On 29 August 2002, the Company adopted a share option scheme (the “Scheme”) which complies with the new requirements of Chapter 17 of the Listing Rules effective on 1 September 2001. During the Interim Period, no option was granted under the Scheme.

Details of the movements in the options under the Scheme during the period were as follows:

| Category<br>or name of<br>participant | Date of<br>grant<br>(Notes 1&2) | Exercise<br>period<br>(Note 1) | Original<br>exercise<br>price per<br>share<br><br>HK\$ | Number of share options    |                                 |                                   |                                | Weighted<br>average<br>closing<br>price<br>(Note 3)<br>HK\$ |                             |
|---------------------------------------|---------------------------------|--------------------------------|--|----------------------------|---------------------------------|-----------------------------------|--------------------------------|---|-----------------------------|
|                                       |                                 |                                |  | Outstanding<br>at 1.4.2011 | Granted<br>during the<br>period | Exercised<br>during the<br>period | Lapsed<br>during the<br>period |   | Outstanding<br>at 30.9.2011 |
| <b>Director</b>                       |                                 |                                |  |                            |                                 |                                   |                                |   |                             |
| Wong Hin Shek                         | 17.6.2008                       | 17.6.2008 to<br>16.6.2011      | 0.1740   | 9,000,000                  | —                               | —                                 | (9,000,000)                    | —   | N/A                         |
| <b>Employees and others</b>           |                                 |                                |  |                            |                                 |                                   |                                |   |                             |
|                                       | 17.6.2008                       | 17.6.2008 to<br>16.6.2011      | 0.1740   | 26,999,994                 | —                               | —                                 | (26,999,994)                   | —   | N/A                         |
|                                       |                                 |                                |  | 35,999,994                 | —                               | —                                 | (35,999,994)                   | —   |                             |

Notes:

- (1) All dates are shown day/month/year.
- (2) The vesting period of the options is from the date of grant until the commencement of the exercise period.
- (3) The weighted average closing price of the Company’s shares immediately before the dates on which the options were exercised.

Save as disclosed above, none of the directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## **CORPORATE GOVERNANCE**

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the Interim Period. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code except for the deviation from code provision A.2.1 upon the resignation of Mr. Tse On Kin on 16 November 2011 which is explained below.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Upon the resignation of Mr. Tse On Kin on 16 November 2011, the Company does not have any officer with the title of “chairman”. Mr. Wong Hin Shek, who acts as the chief executive officer of the Company, is also responsible for the leadership of the Board in formulating corporate policies and business strategies and oversight of significant compliance matters. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company in view of the board structure and business of the Group. The roles of the respective senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. The Board will continue to review the effectiveness of the Group’s corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer is necessary.

### **MODEL CODE OF SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the directors. Having made specific enquiry to the directors, the directors confirmed that they have complied with the code throughout the six months ended 30 September 2011.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## REVIEW OF INTERIM RESULTS

The audit committee has reviewed with the management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgement issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial statements for the six months ended 30 September 2011.

On behalf of the Board

**Wong Hin Shek**

*Executive Director*

Hong Kong, 29 November 2011