



CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 439)

INTERIM REPORT

2013-14

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

WONG Hin Shek (*Chief Executive Officer*)
NG Man Chan

Non-executive Director

WONG Hung Ki

Independent Non-executive Directors

LAU Man Tak
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY

CHAN Ming Kei

AUDIT COMMITTEE

LAU Man Tak (*Chairman*)
MAN Kwok Leung
WONG Yun Kuen

REMUNERATION COMMITTEE

LAU Man Tak (*Chairman*)
MAN Kwok Leung
WONG Yun Kuen

NOMINATION COMMITTEE

WONG Yun Kuen (*Chairman*)
LAU Man Tak
MAN Kwok Leung

AUDITOR

SHINEWING (HK) CPA Limited

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Hong Kong

Bermuda

Codan Services Limited
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Company Limited

STOCK CODE

439

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 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3	60,231	45,375
Cost of sales		(50,151)	(33,192)
Gross profit		10,080	12,183
Other operating income	4	940	983
Selling expenses		(1,491)	(1,390)
Administrative expenses		(7,064)	(6,346)
Gain on changes in fair value of held for trading investments		267	30
Finance costs	5	(206)	(387)
Profit before tax		2,526	5,073
Income tax expense	6	(499)	(1,176)
Profit for the period attributable to owners of the Company	7	2,027	3,897
Other comprehensive income may be subsequently reclassified to profit or loss			
Exchange differences arising on translating foreign operations and total other comprehensive income		764	–
Total comprehensive income for the period		2,791	3,897
EARNINGS PER SHARE			
Basic and diluted earnings per share (in Hong Kong cents)	8	0.15	0.38

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	31,403	33,872
Investment properties	10	27,500	27,500
Prepaid lease payments		8,962	8,859
Goodwill		84,054	84,054
		151,919	154,285
Current assets			
Inventories		19,424	14,669
Trade receivables, deposits and other receivables	11	26,857	26,515
Prepaid lease payments		219	214
Held for trading investments		5,199	4,932
Cash and cash equivalents		57,942	67,756
		109,641	114,086
Current liabilities			
Trade and other payables	12	26,269	16,877
Amount due to a related company		30	15
Promissory note		14,000	55,000
Obligations under finance lease			
— amount due within one year		1,287	1,438
Bank borrowings		8,842	7,016
Income tax payable		1,365	3,654
		51,793	84,000
Net current assets		57,848	30,086
Total assets less current liabilities		209,767	184,371
Non-current liabilities			
Obligations under finance lease			
— amount due after one year		2,105	2,974
Deferred tax liabilities		175	175
		2,280	3,149
Net assets		207,487	181,222
Capital and reserves			
Share capital	13	14,495	12,079
Reserves		192,992	169,143
Equity attributable to owners of the Company		207,487	181,222

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note a)	Contributed surplus HK\$'000 (note b)	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2012	574	131,205	17,900	103,941	-	(190,115)	63,505
Profit for the period and total comprehensive income for the period	-	-	-	-	-	3,897	3,897
Issue of shares	11,505	102,630	-	-	-	-	114,135
At 30 September 2012 (unaudited)	12,079	233,835	17,900	103,941	-	(186,218)	181,537
At 1 April 2013	12,079	233,835	17,900	103,941	1,350	(187,883)	181,222
Profit for the period	-	-	-	-	-	2,027	2,027
Exchange differences arising on translating foreign operations and total other comprehensive income	-	-	-	-	764	-	764
Total comprehensive income for the period	-	-	-	-	764	2,027	2,791
Placing of shares (Note 13)	2,416	21,742	-	-	-	-	24,158
Transaction costs attributable to placing of shares	-	(684)	-	-	-	-	(684)
At 30 September 2013 (unaudited)	14,495	254,893	17,900	103,941	2,114	(185,856)	207,487

Notes:

- (a) The balance of capital reserve represents the capital reserve arising from the group restructuring which took place in 1992.
- (b) The balance of contributed surplus arose as a result of the Company's capital reduction exercises which took place in the financial years of 2003 and 2006.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
CASH FROM OPERATING ACTIVITIES	6,390	4,611
INVESTING ACTIVITIES		
Proceeds from disposal of plant and equipment	773	–
Interest received	109	337
Dividend received	96	94
Purchase of plant and equipment	(379)	(2,051)
Net cash outflow on acquisition of a subsidiary	–	(17,585)
Acquisition of an investment property	–	(12,496)
Net cash outflow on acquisition of land use right	–	(9,204)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	599	(40,905)
FINANCING ACTIVITIES		
Proceeds from issue of shares	24,158	90,947
Share issuing expenses	(684)	(574)
New bank borrowings raised	3,000	–
Repayment of bank borrowings	(1,174)	(6,955)
Principal repayment for obligations under finance lease	(1,020)	(643)
Repayment of promissory note	(41,000)	–
Advance from a related party	15	–
Repayments to related parties	–	(16,714)
Interests paid	(206)	(355)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(16,911)	65,706
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,922)	29,412
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	67,756	46,760
Effect of foreign exchange rate changes	108	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
represented by:		
Bank balances and cash	30,847	19,644
Deposits in other financial institutions	27,095	56,528
	57,942	76,172

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted new or revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as “New HKFRSs”) that have been issued but are not yet effective as set out in the Group’s annual financial statement for the year ended 31 March 2013.

In addition, the following amendments to HKFRSs have been issued but are not effective subsequent to the publication of the Group’s annual financial statement for the year ended 31 March 2013 on 26 June 2013:

Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ²
Amendments to HKAS 32	Presentation — Offsetting Financial assets and Financial Liabilities ¹
Amendments to HKAS 36	Financial Instruments: Recognition and Measurement — Novation of Derivative and Continuation of Hedge Accounting ¹
HK(IFRIC) Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group in the future.

3. TURNOVER AND SEGMENT INFORMATION

The executive directors of the Company reviewed the sales of major products for the purpose of resources allocation and performance assessment and considered that the Group operates in two business units, and has two reportable and operating segments: paper business and property investment.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the six months ended 30 September (Unaudited)

	Paper business		Property investment		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	59,854	45,370	377	5	60,231	45,375
Segment profit	3,479	7,585	377	5	3,856	7,590
Unallocated corporate income					472	239
Unallocated corporate expenses					(1,596)	(2,369)
Finance costs					(206)	(387)
Profit before tax					2,526	5,073

Segment profit represents the profit earned by each segment without allocation of central corporate income and expense, directors' remuneration, certain other income, dividend income and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

3. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Paper business	170,435	167,419
Property investment	27,813	27,841
Total segment assets	198,248	195,260
Unallocated corporate assets	63,312	73,111
Consolidated assets	261,560	268,371

Segment liabilities

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Paper business	24,919	14,749
Property investment	125	255
Total segment liabilities	25,044	15,004
Unallocated corporate liabilities	29,029	72,145
Consolidated liabilities	54,073	87,149

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than held for trading investment, cash and cash equivalents and other assets for corporate use including certain plant and equipment, deposits and other receivables; and
- all liabilities are allocated to operating segments other than promissory note, bank borrowings, income tax payable, deferred tax liabilities, obligations under finance lease and certain other payables.

4. OTHER OPERATING INCOME

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Management fee income	360	300
Net foreign exchange gain	61	233
Interest income	109	337
Dividend income	96	94
Sundry income	314	19
	940	983

5. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
— Bank borrowings wholly repayable within five years	90	258
— Obligations under finance lease	116	97
— Promissory note	—	32
Total finance costs	206	387

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	318	822
PRC Enterprises Income Tax	181	354
	499	1,176

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs:		
Directors' emoluments	305	356
Other staff costs	17,916	13,682
Retirement benefits scheme contributions for staff	551	233
Total staff costs	18,772	14,271
Amortisation of prepaid lease payment	108	53
Depreciation for plant and equipment	2,275	2,386
Loss on disposal of plant and equipment	67	–
Operating lease rental on land and buildings	889	941

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the six months ended 30 September 2013 and 2012.

	Six months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)
Profit for the period attributable to owners of the Company (HK\$'000)	2,027	3,897
Weighted average number of ordinary shares in issue	1,362,373,912	1,013,916,411
Basic earnings per share (HK\$)	0.15	0.38

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods ended 30 September 2013 and 2012.

9. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. MOVEMENT IN PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group paid approximately HK\$379,000 (2012: HK\$2,051,000) for acquisition of assets.

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK\$840,000 for cash proceeds of HK\$773,000, resulting in a loss on disposal of HK\$67,000 (2012: nil).

At 30 September 2013, the directors have considered that the fair value of the Group's investment properties do not have significantly change from its carrying amount of approximately HK\$27,500,000 as at 31 March 2013 and accordingly, no fair value change has been recognised in profit or loss in the current period.

11. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Trade receivables	26,035	25,005
Deposits and other receivables	713	1,203
Prepayments	109	307
	26,857	26,515

The Group allows an average credit period of 30 to 60 days to its trade customers. The Group did not hold any collateral over these balances.

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

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
0–30 days	13,766	13,850
31–60 days	6,805	2,774
61–90 days	5,241	4,906
91–120 days	223	1,480
121–365 days	–	1,995
	26,035	25,005

At 30 September 2013, balance included in trade receivables of approximately HK\$8,709,000 (31 March 2013: HK\$18,025,000) is due to New Spring Label Printing and Packaging Limited, a related Company in which a director of the Company has beneficial interest. The amount is unsecured, non-interest bearing, and trading in nature with credit period of 60 days.

12. TRADE AND OTHER PAYABLES

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Trade payables	19,272	11,377
Other payables and accruals	6,939	5,400
Deposit received from customers	58	86
Receipt in advance	–	14
	26,269	16,877

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period/year:

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Within 30 days	6,194	5,290
31–60 days	5,387	2,263
61–90 days	3,505	1,880
Over 90 days	4,186	1,944
	19,272	11,377

The average credit period on purchases of goods is 30 to 90 days. The Group had financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. SHARE CAPITAL

	Number of ordinary shares	Par value per ordinary share HK\$	Share capital HK\$'000
Authorised:			
At 1 April 2012, 31 March 2013 (audited) and 30 September 2013 (unaudited)	10,000,000,000	0.01	100,000
Issued and fully paid:			
At 1 April 2012	57,433,057	0.01	574
Issue of consideration shares (note (a))	200,000,000	0.01	2,000
Issue of subscription shares (note (b))	450,000,000	0.01	4,500
Open offer (note (c))	459,464,456	0.01	4,595
Bonus shares (note (d))	41,023,612	0.01	410
At 31 March 2013 (audited)	1,207,921,125		12,079
Placing of shares (note (e))	241,580,000	0.01	2,416
At 30 September 2013	1,449,501,125		14,495

13. SHARE CAPITAL (Continued)

Notes:

- (a) Pursuant to the sale and purchase agreement (“S&P Agreement”) entered into between the Company and Sky Will Printing & Packaging (BVI) Limited (the “Vendor”), 200,000,000 consideration shares (“Consideration Shares”) were issued at an issue price of HK\$0.10 per Consideration Share, credited as fully paid, as part of the consideration for the acquisition of equity interest in Sky Will Printing & Packaging Limited together with its subsidiaries (collectively referred as to “Sky Will Group”). The fair value of the Consideration Shares was approximately HK\$23,762,000 as at 3 May 2012 which was determined by the directors of the Company with reference to valuation carried out by an independent valuer. The share capital and share premium of the Company increased by HK\$2,000,000 and HK\$21,762,000 respectively.
- (b) On 29 February 2012, the Company entered into a subscription agreement (the “Subscription Agreement”) with World Treasure Global Limited (“World Treasure”), in which a director of the Company has beneficial interest. Pursuant to the Subscription Agreement, the Company issued 450,000,000 subscription shares (“Subscription Shares”) to World Treasure at the subscription price of HK\$0.10 per share. The gross proceed of the subscription is HK\$45,000,000. Details of the subscription were set out in the circular dated 5 March 2012. The subscription was completed on 3 May 2012.
- (c) On 29 February 2012, the Company entered into an agreement with World Treasure and Kingston Securities Limited as underwriters, whereby the Company proposed to raise gross proceeds of approximately HK\$45,947,000 before expenses, by way of open offer of 459,464,456 shares at the offer price of HK\$0.10 per share, on the basis of eight offer shares for every share (“Open Offer”). A sum of net amount approximately HK\$45,373,000, after deducting related expenses of approximately HK\$574,000, was raised and used as working capital of the Group. Details of the Open Offer were set out in the circular dated 5 March 2012. The Open Offer was completed on 3 May 2012.
- (d) On 3 May 2012, the Company has issued bonus shares (“Bonus Issue”) to the existing shareholders on the basis of five bonus shares for every seven shares, as a results, 41,023,612 ordinary shares were issued and share premium decreased by approximately HK\$410,000. Details of the Bonus Issue were set out in the circular of the Company dated 5 March 2012. The Bonus Issue was completed on 3 May 2012.
- (e) On 5 June 2013, 241,580,000 shares of HK\$0.01 each were issued at HK\$0.1 per shares pursuant to the general mandate which was passed at the annual general meeting held on 31 July 2012. The net proceed of approximately HK\$23,474,000, after deducting related placing commission and other related expenses.

14. CHANGE IN GROUP STRUCTURE

On 3 May 2012, the Company acquired the entire issued capital of Sky Will Group. Sky Will Group is engaged in the manufacture and trading of paper packaging products, paper gift items and paper promotional materials. Details of the acquisition were disclosed in the Annual Report 2013 of the Company.

There is no change in Group structure during the period.

15. RELATED PARTY TRANSACTIONS

- (i) Mr. Ng Man Chan, a director of the Company, has provided personal guarantees on secured bank trade financing loan during the period.
- (ii) Other than the transactions with the director as disclosed above, the Group also entered into the following transactions with its related parties during the period.

Name of related companies	Nature	Notes	Six months ended 30 September	
			2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
New Spring Label & Packaging Limited	Sales of packaging products	(a)	20,648	10,493
	Management fee income	(b)	360	300
Beautiking Investment Limited	Rental expense	(c)	90	75
New Pearl Hot Stamping & Packaging Limited	Rental income	(d)	-	30

Notes:

- (a) The sale of packaging products was mutually agreed by the Group and the related company. The outstanding balance included in note 11 is trading in nature with credit period of 60 days.
- (b) The management fee income was charged on a monthly fixed amount mutually agreed by the Group and the related company.
- (c) The rental expenses paid were charged on a monthly fixed amount basis as mutually agreed by the Group and the related company.
- (d) The rental income was charged on a monthly fixed amount basis as mutually agreed by the Group and the related company.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

For the six months ended 30 September 2013, the Group recorded a turnover of approximately HK\$60,231,000 (2012: HK\$45,375,000) and the net profit attributable to owner was approximately HK\$2,027,000 (2012: HK\$3,897,000).

BUSINESS REVIEW

During the period under review, the Group has been principally engaged in the paper business segment including the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials (“Paper Business”) and the property investment segment.

Paper Business

The Paper Business is the principal business of the Group. The major customers are primarily distributors, manufacturers of consumer products and advertising agencies based in the United States of America (the “U.S.A.”), Europe, Hong Kong and the PRC.

For the six months ended 30 September 2013, the turnover contributed by the Paper Business increased by 31.9% to approximately HK\$59,854,000 (2012: HK\$45,370,000). However, due to the weakening global demand and fierce competition in the printing and packaging industry, the order prices of our products were slightly decreased. On the other hand, the increase in minimum wage requirement in the PRC together with the effect of the appreciation of Renminbi (“RMB”) to Hong Kong Dollar (“HKD”) have significantly increased the labour costs and other production costs respectively. As a result, the profit margins of our products and overall performance of the Group were inevitably adversely affected. For the six months ended 30 September 2013, the Paper Business recorded gross profit of approximately HK\$9,703,000 (2012: HK\$12,178,000), representing a decrease of around 20.3% as compared with the corresponding period of last year. The segment profit recorded before the relevant tax expenses was approximately HK\$3,479,000 (2012: HK\$7,585,000) representing a decrease of around 54.1% as compared with the corresponding period of last year.

Property Investment

The Group intends to hold the properties for investment purpose with a view that it can establish an additional stream of recurring rental income, while capture any possible future capital appreciation. For the six months ended 30 September 2013, leasing income of approximately HK\$377,000 (2012: HK\$5,000) was recognised.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK

The world economy continues to face exceptional uncertainties, in particular to the unresolved Europe debt crisis, the slow recovery in the U.S.A. as well as the expectation of a slower growth in China over the medium term than in the recent past, the market sentiments will most likely remain weak and unpredictable during the ensuing year. Despite the difficulties in the current operating environment, the Group will continue to improve the efficiency and output quality, maintain good relationships with existing customers and at the same time will promote its products and services to new customers to broaden its customer base. Looking ahead, the Group will closely monitor the conditions of paper product market and the property market and prepare to respond swiftly and take advantage of the market adversities to seize upon further suitable investment opportunities to provide tremendous value to shareholders.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2013 (2012: Nil).

CAPITAL STRUCTURE

On 5 June 2013, 241,580,000 shares of HK\$0.01 each were issued at HK\$0.1 per share pursuant to the general mandate which was passed at the annual general meeting held on 31 July 2012 and which represented approximately 16.67% of the then issued share capital of 1,449,501,125 shares as enlarged by the placing. The net proceed of approximately HK\$23,474,000, after deducting related placing commission and other related expenses, was intended to be used for working capital of the Group.

The Group had no other changes in capital structure during the six months ended 30 September 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the total shareholders' funds of the Group amounted to approximately HK\$207,487,000 (31 March 2013: HK\$181,222,000), the total assets of approximately HK\$261,560,000 (31 March 2013: HK\$268,371,000) and the total liabilities of approximately HK\$54,073,000 (31 March 2013: HK\$87,149,000).

As at 30 September 2013, the Group had cash and cash equivalents of approximately HK\$57,942,000 (31 March 2013: HK\$67,756,000). The gearing ratio as of 30 September 2013, defined as the percentage of the total interest bearing debt, including bank borrowings of approximately HK\$8,842,000 (31 March 2013: HK\$7,016,000) and obligations under finance leases of approximately HK\$3,392,000 (31 March 2013: HK\$4,412,000), to net asset value, was approximately 5.90% (31 March 2013: 6.31%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's business operations and investments are in Hong Kong and Mainland China. Most of the assets, liabilities and transactions of the Group are primarily denominated in HKD and RMB. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

INVESTMENT POSITION AND PLANNING

The Group had no change in composition during the six months ended 30 September 2013.

The Group has invested in certain securities that are traded over the Stock Exchange. As at 30 September 2013, the Group held shares with fair value of approximately HK\$5,199,000 (31 March 2013: HK\$4,932,000).

Saved as disclosed above, the Group did not have any other significant investment and there are no other material acquisition or disposal of subsidiaries and associated company during the period.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2013, certain assets of the Group were pledged to secure banking facilities granted to the Group and obligation under finance lease as follows:

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Investment properties	15,000	15,000
Plant and equipment under finance lease	6,695	7,398
Trade receivables	–	1,092
	21,695	23,490

As at 30 September 2013, the Group had no significant contingent liabilities (31 March 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2013, the Group had approximately 840 employees. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

CONTINUING CONNECTED TRANSACTIONS

On 29 February 2012, a master agreement (“Master Agreement”) was entered into between Sky Will Group and New Spring Label & Packaging Limited (“New Spring Label”) for the provision of the printing and production of paper packaging and promotional products and materials (“Services”) for the three years ending 31 March 2015.

Since Mr. Ng Man Chan (“Mr. Ng”) is an executive Director of the Company and New Spring Label is beneficially owned as to 20% by Mr. Ng and as to 30% by the spouse of Mr. Ng, the transactions contemplated under the Master Agreement constitute continuing connected transactions under the Listing Rules. Pursuant to the approval obtained at the special general meeting of the Company held on 28 March 2012, the existing annual caps for the provision of the Services for the years ending 31 March 2013, 2014 and 2015 were HK\$24 million, HK\$26 million and HK\$28 million respectively (“Existing Annual Caps”). During the period, the Group provided Services to New Spring Label amounted approximately HK\$20,648,000 (2012: HK\$10,493,000).

Due to the increase in the business volume of New Spring Label in 2013, the demand for the Services has correspondingly increased. The Board anticipated that the Existing Annual Caps for the years ending 31 March 2014 and 2015 will be exceeded. To cope with the increasing demand for the Services, the Directors propose to revise the Existing Annual Caps to the proposed new caps for the years ending 31 March 2014 and 2015 to HK\$50 million and HK\$60 million respectively (“Proposed New Caps”). The revision will be subject to the independent shareholders approval at an upcoming special general meeting which will held on 6 December 2013.

Details of the revision of the Proposed New Caps including the reasons for and benefit of the revision are set out in the Company’s circular dated 15 November 2013.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 September 2013, the following director or chief executive of the Company or his 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 in which the shares are held	Interest in ordinary shares held	Percentage of the issued share capital
Mr. Wong Hin Shek	Beneficial owner/ Interest of controlled corporation	638,981,013 (Note)	44.08%

Note: The 638,981,013 shares are beneficially owned by World Treasure Global Limited ("World Treasure"), a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the same shares held by World Treasure.

Save as disclosed above, as at 30 September 2013, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company 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 2013, 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	Interest in ordinary shares held	Percentage of the issued share capital
World Treasure	Beneficial owner	638,981,013 (Note 1)	44.08%
Mr. Wong Hin Shek	Interest of controlled corporation	638,981,013 (Note 1)	44.08%
Mr. Ruan Yuan	Beneficial owner/ Interest of child or spouse	223,722,285 (Note 2)	15.43%
Ms. Zhang Ming	Beneficial owner/ Interest of child or spouse	223,722,285 (Note 2)	15.43%

Note:

- The 638,981,013 shares are beneficially owned by World Treasure, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the same shares held by World Treasure.
- As at 30 September 2013, of the 223,722,285 shares, 219,867,657 shares are held by Mr. Ruan Yuan while 3,854,628 shares are held by Ms. Zhang Ming, spouse of Mr. Ruan Yuan. By virtue of the SFO, Mr. Ruan Yuan and Ms. Zhang Ming are deemed to be interested in these 223,722,285 shares.

Save as disclosed above, as at 30 September 2013, the Company was not aware of any other person (other than the director or chief executive 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders' value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize an effective internal control and accountability to all shareholders.

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "CG Code") during the period under review, save for the deviations from code provisions A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

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. The Company does not have any officer with the title of "Chairman" since the resignation of the ex-chairman of the Company on 16 November 2011. Mr. Wong Hin Shek, who acts as the chief executive officer of the Company, also assumes the duties of the chairman during the period under review. The Board believes that vesting the roles of chairman and chief executive officer in the same individual provided the Group with strong and consistent leadership in the development and execution of long-term business strategies.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, one non-executive director of the Company, Mr. Wong Hung Ki, is not appointed for specific terms but he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wong Hung Ki (non-executive director) and Dr. Wong Yun Kuen (independent non-executive director) did not attend the annual general meeting (the "AGM") of the Company held on 6 August 2013 due to other work commitments. The Company will strengthen its general meeting planning process, by giving all directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meeting, so as to facilitate all directors attending the Company's future general meetings.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 31 July 2012, a share option scheme (the “Scheme”) was adopted by the Company.

As at 30 September 2013, the maximum number of option available for issue under the Scheme is 144,950,112 shares. During the six months ended 30 September 2013, no option was granted, exercised or cancelled under the Scheme.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2013, 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 2013.

On behalf of the Board
Wong Hin Shek
Executive Director

Hong Kong, 28 November 2013