理 文 造 紙 有 限 公 司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

FINANCIAL HIGHLIGHTS

— Turnover increased by 74.3% to HK$8,996 million

— Profit attributable to equity holders of the Company increased by 42.7% to HK$1,441 million

— Basic earnings per share increased by 26.3% to HK127.22 cents

ANNUAL RESULTS

The Board of Directors (the "Board") of Lee & Man Paper Manufacturing Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Revenue	2	**8,996,113**	5,160,552
Cost of sales		**(6,843,488)**	(3,799,101)
Gross profit		**2,152,625**	1,361,451
Other income		**221,099**	112,072
Net (loss) gain from fair value changes of derivative financial instruments		**(177,552)**	31,103
Distribution and selling expenses		**(272,326)**	(147,029)
Administrative expenses		**(338,313)**	(234,127)
Share of losses of associates		**(1)**	—
Finance costs	3	**(86,386)**	(82,465)
Profit before tax		**1,499,146**	1,041,005
Income tax expense	4	**(68,026)**	(30,894)
Profit for the year	5	**1,431,120**	1,010,111
Attributable to:			
Equity holders of the Company		**1,441,329**	1,010,204
Minority interests		**(10,209)**	(93)
		1,431,120	1,010,111
Dividends	6	**409,233**	395,541
		HK cents	*HK cents*
Earnings per share	7		
— Basic		**127.22**	100.71
— Diluted		**126.66**	98.55

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,005,464**	5,524,620
Prepaid lease payments		**323,705**	316,831
Deposits paid for acquisition of property, plant and equipment and land use rights		**918,844**	931,536
Interests in associates		**—**	—
Deferred tax assets		**29,796**	31,707
Retirement benefit assets		**728**	682
		11,278,537	6,805,376
CURRENT ASSETS			
Inventories		**2,499,167**	1,379,159
Prepaid lease payments		**17,045**	14,982
Trade and other receivables	*8*	**2,727,887**	1,373,692
Amounts due from associates		**141,936**	—
Amount due from a related company		**6,516**	12,743
Derivative financial instruments		**25,224**	42,310
Restricted bank deposits		**489**	1,953
Bank balances and cash		**318,188**	214,985
		5,736,452	3,039,824
CURRENT LIABILITIES			
Derivative financial instruments		**192,544**	12,104
Trade and other payables	*9*	**1,391,649**	890,483
Tax payable		**5,452**	20,718
Bank and other borrowings		**2,781,310**	824,762
		4,370,955	1,748,067
NET CURRENT ASSETS		**1,365,497**	1,291,757
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,644,034**	8,097,133
NON-CURRENT LIABILITIES			
Derivative financial instruments		**162,307**	—
Bank and other borrowings		**4,319,534**	1,255,600
Deferred tax liabilities		**108,470**	46,932
Convertible bonds		**—**	205,364
Retirement benefit liabilities		**19,414**	18,536
		4,609,725	1,526,432
		8,034,309	6,570,701
CAPITAL AND RESERVES			
Share capital		**113,738**	111,948
Reserves		**7,930,873**	6,458,846
Equity attributable to equity holders of the Company		**8,044,611**	6,570,794
Minority interests		**(10,302)**	(93)
Total equity		**8,034,309**	6,570,701

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Except this, the adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new, revised or amended standards and interpretations will have no material impact on the results and the financial position of the Group.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating businesses — manufacture and sales of paper, and manufacture and sales of pulp. These businesses are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2008

Income statement

	Paper	Pulp	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	8,403,963	592,150	—	8,996,113
Inter-segment sales	—	382,002	(382,002)	—
	8,403,963	974,152	(382,002)	8,996,113
SEGMENT RESULTS	1,611,175	74,147	—	1,685,322
Net loss from fair value changes of derivative financial instruments				(177,552)
Unallocated corporate incomes				81,280
Unallocated corporate expenses				(3,517)
Share of losses of associates				(1)
Finance costs				(86,386)
Profit before tax				1,499,146
Income tax expense				(68,026)
Profit for the year				1,431,120

Note: Inter-segment sales are charged at prices with reference to the prevailing market rates.

Assets and liabilities

	Paper	Pulp	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	**15,672,449**	**333,074**	**16,005,523**
Unallocated corporate assets			**1,009,466**
Consolidated total assets			**17,014,989**
LIABILITIES			
Segment liabilities	**700,024**	**47,719**	**747,743**
Unallocated corporate liabilities			**8,232,937**
Consolidated total liabilities			**8,980,680**

Other information

	Paper	Pulp	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Amortisation of prepaid lease payments	**19,139**	**—**	**19,139**
Capital expenditure	**4,240,308**	**77,995**	**4,318,303**
Additions to prepaid lease payments	**80,816**	**—**	**80,816**
Deposits paid for acquisition of property, plant and equipment and land use rights	**918,844**	**—**	**918,844**
Depreciation of property, plant and equipment	**256,816**	**11,270**	**268,086**
Loss on disposal of property, plant and equipment	**166**	**—**	**166**

2007

Income statement

	Paper	Pulp	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	4,730,597	429,955	—	5,160,552
Inter-segment sales	—	434,349	(434,349)	—
	4,730,597	864,304	(434,349)	5,160,552
SEGMENT RESULTS	1,002,291	44,143	—	1,046,434
Net gain from fair value changes of derivative financial instruments				31,103
Unallocated corporate incomes				48,691
Unallocated corporate expenses				(2,758)
Finance costs				(82,465)
Profit before tax				1,041,005
Income tax expense				(30,894)
Profit for the year				1,010,111

Note: Inter-segment sales are charged at prices with reference to the prevailing market rates.

Assets and liabilities

	Paper	Pulp	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	9,063,956	196,537	9,260,493
Unallocated corporate assets			584,707
Consolidated total assets			9,845,200
LIABILITIES			
Segment liabilities	480,671	29,783	510,454
Unallocated corporate liabilities			2,764,045
Consolidated total liabilities			3,274,499

Other information

	Paper	Pulp	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Amortisation of prepaid lease payments	3,099	—	3,099
Capital expenditure	1,902,717	59,072	1,961,789
Additions to prepaid lease payments	145,452	—	145,452
Deposits paid for acquisition of property, plant and equipment and land use rights	931,536	—	931,536
Depreciation of property, plant and equipment	147,063	4,704	151,767
Loss on disposal of property, plant and equipment	234	—	234

Geographical segments

The following table provides an analysis of the Group's sales by geographical market based on location of customers, others mainly include countries in Asia other than PRC.

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
People's Republic of China other than Hong Kong (the "PRC")	**7,686,882**	4,322,930
Europe	**374,210**	180,001
United States of America	**84,597**	65,514
Others	**850,424**	592,107
	8,996,113	5,160,552

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Capital expenditure**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**15,242,809**	9,056,798	**4,178,226**	1,902,495
Vietnam	**424,154**	—	**62,068**	—
United States of America	**333,075**	196,537	**77,995**	59,072
Hong Kong	**5,485**	7,158	**14**	222
	16,005,523	9,260,493	**4,318,303**	1,961,789

3. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**220,742**	84,852
Interest on convertible bonds	**2,082**	45,771
Interest on notes payable	**10,615**	—
Total borrowing costs	**233,439**	130,623
Less: Amounts capitalised in property, plant and equipment	**(147,053)**	(48,158)
	86,386	82,465

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5% (2007: 6%) to expenditures on qualifying assets.

4. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
— PRC Foreign Enterprise Income Tax	**14,997**	24,912
— Overseas income tax	**61**	—
Overprovision in previous year		
— PRC Foreign Enterprise Income Tax	**(3,721)**	—
Deferred tax	**56,689**	5,982
	68,026	30,894

The Group's profit is subject to taxation from the place of its operations where its profit is generated. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The subsidiaries in the PRC are entitled to exemption from PRC Foreign Enterprise Income Tax for two years starting from their respective first profit-making year, followed by a 50% relief for the three years thereafter ("Tax Holiday").

The first profit-making year of a subsidiary, Jiangsu Lee & Man Paper Manufacturing Company Limited ("Jiangsu Lee & Man"), was the year of 2005. Accordingly, tax exemption period of Jiangsu Lee & Man expired during the year ended 31 March 2007 and it is now subject to a reduced tax rate of 12.5% for the relief period. Beside, pursuant to approvals granted by the PRC tax authority, Jiangsu Lee & Man was granted tax credits that resulted from the purchase of plant and equipment manufactured in the PRC by Jiangsu Lee & Man. Current year's tax charge of Jiangsu Lee & Man was fully offseted by such credits.

The Tax Holiday of a subsidiary, Dongguan Lee & Man Paper Factory Co., Ltd. ("Dongguan Lee & Man") expired during the year ended 31 March 2006 and it is now subject to a preferential tax rate of 18% because approval was obtained from the PRC tax authority as it was qualified as a technologically advanced enterprise in the Guangdong Province.

All the Group's other PRC subsidiaries were within the tax exemption period during the year ended 31 March 2008 and were therefore not subject to PRC Foreign Enterprise Tax.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the Tax Law. The Tax Law and Implementation Regulations will increase the tax rate for the Group's PRC subsidiaries to 25% with effect from the expiry of the Tax Holiday period and in the case of Dongguan Lee & Man, on a progressive basis over a period of five years.

The subsidiary in Malaysia carries on offshore trading activities in Labaun, with other group companies which are non-residents of Malaysia. As such, it is qualified as an offshore trading company in Labaun and is charged at a fixed annual rate of Malaysian RM20,000.

The Macau subsidiaries incorporated under Decree-Law no. 58/99/M are exempted from Macau complementary tax (Macau income tax) as long as they do not sell their products to a Macau resident.

The subsidiary in the United States is subject to Federal Income Tax and California State Income Tax (collectively refer to as "US Income Tax") at rates of 35% and 8.84%, respectively. No provision for US Income Tax has been made for the year as the assessable profit of the United States subsidiary is wholly absorbed by tax losses brought forward. However, a minimum tax charge of US$1,600 (equivalent to HK$13,000) is recognised for the year under the requirements of the California State Income Tax Law.

The Vietnam subsidiaries are subjected to Vietnam Corporate Income Tax at a maximum rate of 28%. No provision for Vietnam Corporate Income Tax has been made for the year as the Vietnam subsidiaries incurred losses for the year.

5. PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**8,265**	7,603
Staff salaries and other benefits, excluding those of directors	**314,612**	244,759
Share-based payments, excluding those of directors	**8,224**	4,807
Contributions to retirement benefit schemes, excluding those of directors	**14,070**	11,476
Total employee benefit expense	**345,171**	268,645
Amortisation of prepaid lease payments	**19,139**	3,099
Auditors' remuneration	**2,953**	2,117
Cost of inventories recognised as expenses	**6,843,488**	3,799,101
Depreciation of property, plant and equipment	**268,086**	151,767
Loss on disposal of property, plant and equipment	**166**	234
Operating lease rentals in respect of land and buildings	**8,535**	9,335
and after crediting (in other income):		
Compensation income from suppliers for damaged goods	**22,049**	35,807
Interest income	**6,609**	4,136
Income from operating a pier	**21,301**	3,011
Net foreign exchange gains	**74,671**	44,555
Rental income, net of direct outgoings	**390**	390
Tax credits *(Note)*	**37,826**	—

Note: Tax credits were granted to Dongguan Lee & Man during the year ended 31 March 2008 as the Group has reinvested directly the profits generated from Dongguan Lee & Man into Dongguan Lee & Man by increasing its registered capital.

6. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
2007 final dividend of HK$0.20 (2007: 2006 final dividend of HK$0.24) per share	**227,316**	233,294
2008 interim dividend of HK$0.16 (2007: 2007 interim dividend of HK$0.16) per share	**181,917**	162,247
	409,233	395,541

A final dividend of HK$0.10 (2007: HK$0.20) per share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**1,441,329**	1,010,204
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**2,082**	45,771
Gain from fair value change of derivative embedded in the convertible bonds	**(3)**	(1,197)
	1,443,408	1,054,778

	2008	2007
	Number of Shares	*Number of Shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,132,949,789**	1,003,067,042
Effect of dilutive potential ordinary shares:		
Share options	**2,655,629**	1,497,334
Convertible bonds	**3,949,263**	65,731,279
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,139,554,681**	1,070,295,655

8. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**1,708,040**	819,383
Bills receivables	**526,742**	261,239
	2,234,782	1,080,622
Deposits and prepayments	**199,017**	179,850
Other receivables	**294,088**	113,220
	2,727,887	1,373,692

The Group generally allows an average credit period of 90 days to its customers. An aging analysis of the trade and bills receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**1,257,486**	769,135
31–60 days	**545,117**	217,302
61–90 days	**286,433**	72,979
90–120 days	**73,753**	11,083
Over 120 days	**71,993**	10,123
	2,234,782	1,080,622

9. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and bills payables	**747,743**	510,454
Accruals	**198,298**	157,176
Other payables	**445,608**	222,853
	1,391,649	890,483

The average credit period taken for trade purchases range from 30 to 60 days. An ageing analysis of the trade and bills payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**665,148**	465,392
31–60 days	**48,584**	28,592
61–90 days	**17,161**	8,849
Over 90 days	**16,850**	7,621
	747,743	510,454

FINAL DIVIDEND

The Directors have proposed a final dividend of HK10 cents per share for the year ended 31 March 2008 to shareholders whose names appear on the Register of Members on 1 September 2008. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting. It is expected that the final dividend will be paid around 10 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 27 August 2008 to 1 September 2008, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend, all transfers accomplished by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 26 August 2008.

BUSINESS REVIEW AND OUTLOOK

Business Review

For the fiscal year of 2007/2008, the Group achieved a turnover of HK$8,996 million and has recorded a net profit of HK$1,431 million. This represents an increase in turnover of 74.3% and an increase in net profit of 41.7% over the same period last year. These excellent achievements are the results of our added capacities of PM9, PM10, and PM11, the increased tremendous efforts by the management on the project execution and supervision as well as the hard work of our managers and our staffs.

Outlook

With rising energy costs and the global economies slowing down, we will face more challenges in the coming year. The management will make use of its experience to further strengthen the Group by focusing on cost control, sales network expansion, effective project management, and products diversification. During the fiscal year 2008/2009, we will start our first pulp production line in China (BHKP1), as well as two more containerboard production lines (PM12 and PM13), which includes our first containerboard production line in western China at Chongqing, will make contributions to our coming profits.

Further, our Vietnam project of annual containerboard capacity of 450,000 metric tons and annual bleached hardwood pulp capacity of 150,000 metric tons is now under construction and is scheduled to begin production within 2009. While the construction has many difficulties, we believe our management team is professional and has plenty of construction experiences to overcome any problems that may arise. Despite the currently short-term economics uncertainty in Vietnam, our management still strongly believes the Vietnam project will be a highly successful project for three main reasons. First, Vietnam has excellent wood supply which is beneficial for pulp production and there is not much competitors around. Second, we can export out of Vietnam competitively in terms of price and quality to Eastern Europe, the Middle East, and Central America whereas we cannot export out of China competitively due to the cancellation of the 17% tax rebate. Third, ASEAN's containerboard market demand is growing at a rapid pace. The management believes once the Vietnam project becomes operational, we will further achieve the market and product diversifications; and the project will make important contributions to the Group.

With lower costs, more products to sell, more places to sell to, as well as having a cooperative working team and honest, responsible management, future profits growth is guaranteed; and we will share the profits with our shareholders and intend to set a target dividend payout ratio of 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Turnover and net profit attributable to equity holder of the parent for the year ended 31 March 2008 was HK$8,996 million and HK$1,441 million, representing an increase of 74.3% and 42.7%, as compared to HK$5,161 million and HK$1,010 million, respectively, for last year. The basic earnings per share for the year was HK127.22 cents when compared with HK100.71 cents for last year.

The increase in turnover and net profit were mainly attributable to the significant increase in the Group's sales of containerboard mainly due to the result of the commercial operation of PM8, PM9, PM10 and PM11 during the year.

Distribution and Selling Expenses and Administrative Expenses

The Group's distribution and selling expenses and administrative expenses increased by approximately 85.2% and 44.5% from HK$147 million and HK$234 million for the year ended 31 March 2007 to HK$272 million and HK$338 million for the year ended 31 March 2008 respectively as a result of the expansion in the operation of the Group and the increase in the Group's turnover during the year.

Finance Costs

The Group's finance costs was HK$86.4 million for the year ended 31 March 2008 as compared to HK$82.5 million for the year ended 31 March 2007. The increase was mainly due to the increase in average amount of outstanding bank borrowings during the year.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 105 days and 11 days, respectively, for the year ended 31 March 2008 as compared to 120 days and 13 days, respectively, for the year ended 31 March 2007. This exhibits continued strong demand from our customers.

The Group's debtors' turnover days were 69 days for the year ended 31 March 2008 as compared to 58 days for the year ended 31 March 2007. This is in line with the credit terms of around 60 days granted by the Group to its customers.

The Group's creditors' turnover days were 37 days for the year ended 31 March 2008 as compared to 49 days for the year ended 31 March 2007 and is in line with the credit terms granted by the Group's suppliers to the Group.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 31 March 2008 was HK$8,034 million (31 March 2007: HK$6,571 million). As at 31 March 2008, the Group had current assets of HK$5,736 million (31 March 2007: HK$3,040 million) and current liabilities of HK$4,371 million (31 March 2007: HK$1,748 million). The current ratio was 1.31 as at 31 March 2008 as compared to 1.74 at 31 March 2007.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2008, the Group had outstanding bank borrowings of HK$7,101 million (31 March 2007: HK$2,080 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from 0.32 as at 31 March 2007 to 0.84 as at 31 March 2008 as a result of the capital expenditure spent on PM8, PM9, PM10 and PM11 during the year

The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments for expansion.

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi or United States dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 March 2008. During the year ended 31 March 2008, the Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 March 2008, the Group had a workforce of more than 8,000 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

The Group has a Share Option Scheme whereby employees of the Group are granted options to acquire shares in the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. The Board of the Company believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. During the year under review, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited.

The objectives of the management structures within the Group, headed by the Board and led by the Chairman, are to deliver sustainable value to Shareholders.

The Chairman provides leadership to and oversees the effective functioning of the Board. With support of the Chief Executive Officer and the Company Secretary, the Chairman approves Board meeting agenda, and ensures Directors have proper briefing, and timely receive adequate and reliable information, on all Board matters.

The role of the Chairman is separate from that of the Chief Executive Officer, and difference persons hold the separate offices. Chief Executive heads the management and focuses on the day-to-day operations of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors, the Group's consolidated financial statements for the year ended 31 March 2008, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions in 2004. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2008. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF RESULTS OF THE STOCK EXCHANGE

A detailed results announcement containing all the information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board
Lee Wan Keung, Patrick
Chairman

Hong Kong, 17 July 2008

As at the date of this notice, the board of directors of the Company comprises four executive directors, namely Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond, Mr Lee Man Bun and Mr Li King Wai Ross, one non-executive director, namely Professor Poon Chung Kwong and two independent non-executive directors, namely Mr Wong Kai Tung Tony and Ms Law Kar Shui Elizabeth.

* *for identification purposes*