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 2010

FINANCIAL HIGHLIGHTS

– Revenue increased by 15% to HK$11,099 million as compared to the last corresponding year.

– Net profit attributable to owners of the Company increased by 507% to HK$1,833 million as compared to the last corresponding year.

– Gross profit margin increased from 10.8% to 25.1%.

– Earnings per share increased by 507% to HK40.3 cents as compared to the last corresponding year.

– Proposed final dividend of HK8 cents per share.

* *For identification purposes only*

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 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	3	**11,099,263**	9,649,365
Cost of sales		**(8,312,782)**	(8,606,348)
Gross profit		**2,786,481**	1,043,017
Other income		**228,045**	190,422
Net loss from fair value changes of derivative financial instruments		**(27,293)**	(10,919)
Loss on disposal of subsidiaries		**–**	(1,820)
Distribution and selling expenses		**(229,748)**	(253,244)
Administrative expenses		**(507,668)**	(411,143)
Finance costs		**(179,619)**	(218,843)
Profit before tax		**2,070,198**	337,470
Income tax expense	4	**(236,893)**	(37,111)
Profit for the year	5	**1,833,305**	300,359
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**(35,022)**	301,093
Gain (loss) on hedging instruments in cash flow hedges		**36,547**	(4,794)
Cumulative loss on hedging instruments reclassified to profit or loss upon early termination		**37,342**	–
Other comprehensive income for the year		**38,867**	296,299
Total comprehensive income for the year		**1,872,172**	596,658
Profit for the year attributable to:			
Owners of the company		**1,833,305**	302,117
Minority interests		**–**	(1,758)
		1,833,305	300,359
Total comprehensive income attributable to:			
Owners of the company		**1,872,172**	598,416
Minority interests		**–**	(1,758)
		1,872,172	596,658
		HK cents	*HK cents* (restated)
Earnings per share	7		
– Basic		**40.30**	6.64
– Diluted		**39.44**	6.64

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**12,401,446**	12,222,870
Prepaid lease payments		**373,826**	336,513
Deposits paid for acquisition of property, plant and equipment and land use rights		**245,869**	314,951
Interest in an associate		**–**	–
Deferred tax assets		**–**	55,000
Retirement benefit assets		**842**	202
		13,021,983	12,929,536
CURRENT ASSETS			
Inventories		**2,203,858**	1,635,918
Prepaid lease payments		**7,670**	14,018
Trade and other receivables	8	**3,317,779**	2,146,879
Amounts due from an associate		**437,753**	253,999
Amounts due from related companies		**58,683**	22,129
Derivative financial instruments		**434**	5,064
Tax recoverable		**35,160**	7,664
Restricted bank deposits		**1,908**	1,908
Bank balances and cash		**625,244**	1,659,444
		6,688,489	5,747,023
CURRENT LIABILITIES			
Derivative financial instruments		**120,836**	97,854
Trade and other payables	9	**1,954,831**	848,933
Tax payable		**69,811**	5,259
Bank and other borrowings		**2,473,383**	4,738,379
		4,618,861	5,690,425
NET CURRENT ASSETS		**2,069,628**	56,598
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,091,611**	12,986,134
NON-CURRENT LIABILITIES			
Derivative financial instruments		**21,910**	139,347
Other payables		**–**	364,042
Bank and other borrowings		**4,599,316**	3,803,321
Deferred tax liabilities		**319,539**	212,579
		4,940,765	4,519,289
		10,150,846	8,466,845
CAPITAL AND RESERVES			
Share capital		**113,770**	113,738
Reserves		**10,037,076**	8,353,107
		10,150,846	8,466,845

Notes:

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 3).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

3. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, "segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format under HKAS 14 was business segments, comprising manufacture and sales of paper and manufacture and sales of pulp. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Segment revenues and results

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

For the year ended 31 March 2010

	Paper *HK$'000*	**Pulp** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
External sales	**10,666,243**	**433,020**	**–**	**11,099,263**
Inter-segment sales	**–**	**238,077**	**(238,077)**	**–**
	10,666,243	**671,097**	**(238,077)**	**11,099,263**
SEGMENT PROFIT	**2,239,629**	**30,241**	**–**	**2,269,870**
Net loss from fair value changes of derivative financial instruments				**(27,293)**
Unallocated corporate income				**13,217**
Unallocated corporate expenses				**(5,977)**
Finance costs				**(179,619)**
Profit before tax				**2,070,198**

For the year ended 31 March 2009

	Paper *HK$'000*	Pulp *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	9,280,495	368,870	–	9,649,365
Inter-segment sales	–	138,237	(138,237)	–
	9,280,495	507,107	(138,237)	9,649,365
SEGMENT PROFIT (LOSS)	534,036	(52,468)	–	481,568
Net loss from fair value changes of derivative financial instruments				(10,919)
Unallocated corporate income				91,708
Unallocated corporate expenses				(6,044)
Finance costs				(218,843)
Profit before tax				337,470

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of net loss from fair value changes of derivative financial instruments, interest income, net exchange gain (loss), loss on disposal of subsidiaries, finance costs and other unallocated corporate income and expenses. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

2010

	Paper ***HK$'000***	**Pulp** ***HK$'000***	**Consolidated** ***HK$'000***
Segment assets	**17,492,035**	**955,949**	**18,447,984**
Unallocated corporate assets			**1,262,488**
Consolidated total assets			**19,710,472**
Segment liabilities	**1,053,603**	**40,688**	**1,094,291**
Unallocated corporate liabilities			**8,465,335**
Consolidated total liabilities			**9,559,626**

2009

	Paper	Pulp	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	15,859,474	582,539	16,442,013
Unallocated corporate assets			2,234,546
Consolidated total assets			18,676,559
Segment liabilities	329,975	8,246	338,221
Unallocated corporate liabilities			9,871,493
Consolidated total liabilities			10,209,714

For the purposes of monitoring segment performance and allocating resources among segments, all assets are allocated to reportable segments other than deferred tax assets, retirement benefit assets, amounts due from an associate, amounts due from related companies, derivative financial instruments, tax recoverable, restricted bank deposits and bank balances and cash and other assets used jointly by reportable segments, and all liabilities are allocated to reportable segments other than derivative financial instruments, tax payable, bank and other borrowings and deferred tax liabilities and other liabilities for which reportable segments are jointly liable.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2010	2009
	HK$'000	*HK$'000*
Paper	**10,666,243**	9,280,495
Pulp	**433,020**	368,870
	11,099,263	9,649,365

Geographical information

Over 95% (2009: 95%) of the Group's revenue from external customers are in the PRC.

The following is an analysis of the non-current assets, analysed by the geographical location of the assets:

	Non-current assets	
	2010	2009
	HK$'000	*HK$'000*
PRC other than Hong Kong	**12,280,005**	12,079,892
Vietnam	**737,984**	790,364
Hong Kong	**3,152**	4,078
	13,021,141	12,874,334

Note: Non-current assets exclude deferred tax assets, retirement benefit assets and interest in an associate.

4. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– PRC Enterprise Income Tax	**75,085**	7,850
– Overseas income tax	**47**	41
Overprovision in previous year		
– PRC Enterprise Income Tax	**(199)**	–
Deferred tax	**161,960**	29,220
Total income tax recognised in profit or loss	**236,893**	37,111

PRC

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

All the Group's PRC subsidiaries were within the tax exemption period during both years ended 31 March 2010 and 31 March 2009 and were therefore not subject to EIT for the year, except the following:

The tax exemption period of a subsidiary, Chongqing Lee & Man Paper Manufacturing Limited expired on 31 December 2009 and its applicable preferential tax rate is 12.5% for the period from 1 January 2010 to 31 December 2012.

The tax exemption period of a subsidiary, Guangdong Lee & Man Paper Manufacturing Limited ("Guangdong Lee & Man") expired on 31 December 2008 and its applicable preferential tax rate is 12.5% for the period from 1 January 2009 to 31 December 2011. Beside, pursuant to approvals from the PRC tax authority, Guangdong Lee & Man was exempted from EIT for income that resulted from the purchase of plant and equipment manufactured in the PRC by Guangdong Lee & Man for both years ended 31 March 2010 and 31 March 2009. The tax exemption are calculated with reference to 40% of the cost of the qualifying plant and equipment approved by the relevant tax authority. Guangdong Lee & Man does not have any EIT tax payable in the current year as a result of such tax exemption.

The tax exemption period of a subsidiary, Jiangsu Lee & Man Paper Manufacturing Company Limited ("Jiangsu Lee & Man") expired on 31 December 2006 and it is subject to a reduced tax rate of 9%, 10% and 22% for the calendar years of 2008, 2009 and 2010, respectively.

The Tax Holiday of a subsidiary, Dongguan Lee & Man Paper Factory Co Ltd ("Dongguan Lee & Man") expired on 31 December 2005 and it was subject to a preferential tax rate of 18% and 20% for the calendar years of 2008 and 2009, respectively. Based on the Guofa [2007] No. 39 released by the State Council of the PRC on 26 December 2007, Dongguan Lee & Man was entitled to such preferential treatment as its investment exceeds USD30,000,000 with a long pay-back period. On 14 December 2009, Dongguan Lee & Man was named as one of the 2009 Guangdong Province New and High Technical Enterprise (廣東省高新技術企業). According to the PRC Law on Enterprise Income Tax promulgated on 16 March 2007, Dongguan Lee & Man is entitled to a concessionary rate of income tax at 15% over 3 years, beginning on 1 January 2009.

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% from 1 January 2008 onwards. The EIT Law and Implementation Regulations increase the tax rate for the Group's PRC subsidiaries to 25% with effect from the expiry of the Tax Holiday and in the case of Jiangsu Lee & Man and Dongguan Lee & Man, they are on a progressive basis over a period of five years.

Malaysia

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

Macau

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

Vietnam

The Vietnam subsidiaries are subjected to Vietnam Corporate Income Tax at a maximum rate of 25%. No provision for Vietnam Corporate Income Tax has been made for the year as the Vietnam subsidiaries incurred losses for the year.

Hong Kong

During the year ended 31 March 2010, the Hong Kong Inland Revenue Department ("IRD") commenced a field audit exercise on the Hong Kong tax affairs of certain subsidiaries of the Company. In March 2010, the IRD issued protective profits tax assessments of HK$156,975,000 (including assessments issued on a duplicate basis of HK$104,650,000) relating to the year of assessment 2003/2004, that is, for the financial year ended 31 March 2004, against certain subsidiaries of the Company. Subsequent to the reporting period, the IRD agreed to hold over the tax demanded completely after the Group purchased tax reserve certificates amounting to HK$17,400,000.

The directors believe that no provision for Hong Kong Profits Tax in respect of the above mentioned protective assessments is necessary. In addition, as far as the Directors' are aware, the inquiries from the IRD are still at a fact-finding stage and the IRD has not yet expressed any formal opinion on the potential tax liability, if any, because the tax investigation has not completed.

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

5. PROFIT FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**64,365**	9,022
Staff salaries and other benefits, excluding those of directors	**351,284**	360,811
Share-based payments, excluding those of directors	**307**	4,800
Contributions to retirement benefit schemes, excluding those of directors	**18,875**	17,045
Total employee benefit expense	**434,831**	391,678
Amortisation of prepaid lease payments	**12,862**	21,590
Auditor's remuneration	**4,676**	3,752
Cost of inventories recognised as expense *(note)*	**8,312,782**	8,606,348
Depreciation of property, plant and equipment	**484,252**	405,571
Loss on disposal of property, plant and equipment	**5,621**	8,293
Net foreign exchange loss	**676**	–
Operating lease rentals in respect of land and buildings	**3,115**	6,768

Note: Included in cost of sales is a write-down of inventories amounting to HK$Nil (2009: HK$42,000,000).

6. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
2009 final dividend of HK$Nil (2009: 2008 final dividend of HK$0.10) per share	**–**	113,738
2010 interim dividend of HK$0.22 (2009: 2009 interim dividend of HK$0.05) per share	**250,224**	56,869
	250,224	170,607

A final dividend of HK8 cents per share in respect of the year ended 31 March 2010 (2009: final dividend of HK$Nil in respect of the year ended 31 March 2009) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

If the dividend were adjusted for the effect of the share subdivision, the interim dividend per share would be HK$0.055 and HK$0.0125 for 2010 and 2009, respectively, and the final dividend per share would be HK$Nil and HK$0.025 for 2009 and 2008, respectively.

7. EARNINGS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**1,833,305**	302,117

	2010	2009
	Number of Shares	*Number of Shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,549,682,963**	4,549,521,648
Effect of dilutive potential ordinary shares:		
Share options	**99,136,844**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,648,819,807**	4,549,521,648

The weighted average number of ordinary shares of both years for the purpose of basic and diluted earnings per share has been adjusted to reflect the effect of share subdivision.

The computation of diluted earnings per share for the year ended 31 March 2009 did not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables of HK$2,323,859,000 (2009: HK$1,387,512,000).

The Group generally allows its customers an average credit period of 60 to 90 days. The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**1,661,081**	990,808
31 – 60 days	**379,278**	316,046
61 – 90 days	**261,922**	54,140
91 – 120 days	**11,192**	13,779
Over 120 days	**10,386**	12,739
	2,323,859	1,387,512

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK$1,094,287,000 (2009: HK$338,221,000).

The average credit period taken for trade purchases range from 30 to 60 days. The following is an aged analysis of the trade and bills payables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**639,232**	232,636
31 – 60 days	**220,105**	44,888
61 – 90 days	**158,494**	15,041
Over 90 days	**76,456**	45,656
	1,094,287	338,221

FINAL DIVIDEND

The Directors recommend a final dividend of HK8 cents for the year ended 31 March 2010 (2009: HK$Nil) to shareholders.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 11 August 2010 to 16 August 2010, 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 4.30 p.m. on 10 August 2010.

BUSINESS REVIEW AND OUTLOOK

Business Review and Outlook

For the fiscal year of 2009/2010, the Group achieved a revenue of HK$11,099 million and has recorded a profit attributable to owners of the Company of HK$1,833 million.

During the year, thanks to the collective effort of our business partners and staff, the Company has quickly resumed profit growth since the financial tsunami crisis. To counter keen market competition, the Board of Directors is considering business collaboration opportunities with strategic partners so as to strengthen the company's competitiveness.

To boost production capacity, the modification of PM6 is completed as planned in June 2010. The Company will also speed up installation of PM15, with an annual production capacity of 500,000 tons, and expects production to commence in late 2010. Two new projects that would increase annual capacity by 650,000 tons and 300,000 tons respectively are also under planning, with the target for production to commence by March 2012. The aforesaid initiatives are expected to drive the Company's profit growth in a steady manner.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit attributable to owners of the Company for the year ended 31 March 2010 was HK$11,099 million and HK$1,833 million, representing an increase of 15.0% and 506.8% respectively, as compared to HK$9,649 million and HK$302 million, respectively, for last year. The basic earnings per share for the year was HK40.30 cents when compared with HK6.64 cents for last year.

The increase in revenue was mainly attributable to the increase in the Group's sales of containerboard due to the result of the full year commercial operation of PM12 and PM13 during the year.

The Group has quickly resumed profit growth since the financial tsunami. The significant increase in net profit was due to the increase in both sales volume and the profit margin. The increase in sales volume was due to the machine optimization to increase production capacities and the commercial operation of PM12 and PM13.

During the year ended 31 March 2010, the Hong Kong Inland Revenue Department ("IRD") commenced a field audit exercise on the Hong Kong tax affairs of certain subsidiaries of the Company. In March 2010, the IRD issued protective profits tax assessments of HK$156,975,000 (including assessments issued on a duplicate basis of HK$104,650,000) relating to the year of assessment 2003/2004, that is, for the financial year ended 31 March 2004, against certain subsidiaries of the Company. The Directors are not in a position to know if future protective assessments for subsequent financial years will be issued but if significant resources (financially and by way of management time) have to be committed to this, there may be an adverse effect on the Group's financial position and prospects.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$230 million for the year ended 31 March 2010 as compared to HK$253 million for the year ended 31 March 2009. It represented about 2.1% of the revenue for the year ended 31 March 2010 and was slightly decreased as compared to that of 2.6% for the year ended 31 March 2009.

Administrative Expenses

The Group's administrative expenses increased by approximately 23.5% from HK$411 million for the year ended 31 March 2009 to HK$508 million for the year ended 31 March 2010 as a result of the expansion in the operation of the Group and the increase in the Group's revenue during the year.

Finance Costs

The Group's finance costs was HK$180 million for the year ended 31 March 2010 as compared to HK$219 million for the year ended 31 March 2009. The decrease was mainly due to the decrease 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 82 days and 20 days, respectively, for the year ended 31 March 2010 as compared to 66 days and 20 days, respectively, for the year ended 31 March 2009.

The Group's debtors' turnover days were 60 days for the year ended 31 March 2010 as compared to 41 days for the year ended 31 March 2009. This is in line with the credit terms of 45 days to 60 days granted by the Group to its customers.

The Group's creditors' turnover days were 51 days for the year ended 31 March 2010 as compared to 19 days for the year ended 31 March 2009. The Group settled much of its creditors' balances near year end in last year. The creditors' turnover days were expected to improve going forward given the Group's higher bargaining power in light of the industry consolidation.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 31 March 2010 was HK$10,151 million (31 March 2009: HK$8,467 million). As at 31 March 2010, the Group had current assets of HK$6,688 million (31 March 2009: HK$5,747 million) and current liabilities of HK$4,619 million (31 March 2009: HK$5,690 million). The current ratio was 1.45 as at 31 March 2010 as compared to 1.01 at 31 March 2009.

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 2010, the Group had outstanding bank borrowings of HK$7,073 million (31 March 2009: HK$8,542 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 March 2010, the Group maintained bank balances and cash of HK$625 million (31 March 2009: HK$1,659 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.81 as at 31 March 2009 to 0.64 as at 31 March 2010.

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

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 2010. During the year ended 31 March 2010, the Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 March 2010, the Group had a workforce of about 7,160 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, the Group's consolidated financial statements for the year ended 31 March 2010, 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 2010. 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, 21 June 2010

As at the date of this notice, the board of directors of the Company comprises three executive directors, namely Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond and Mr Lee Man Bun, one non-executive director, namely Professor Poon Chung Kwong and three independent non-executive directors, namely Mr Wong Kai Tung Tony, Mr Peter A Davies and Mr Chau Shing Yim David.