理 文 造 紙 有 限 公 司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2314)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

FINANCIAL HIGHLIGHTS

– Revenue increased by 36.3% to HK$6,899 million as compared to the last corresponding period.

– Net profit increased by 2.8% to HK$839 million as compared to the last corresponding period.

– Earnings per share increased by 2.7% to HK18.44 cents as compared to the last corresponding period.

– Declared interim dividend of HK6.0 cents per share.

* *For identification purposes only*

INTERIM RESULTS

The board of directors of Lee & Man Paper Manufacturing Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	**2010 (unaudited) *HK$'000***	2009 (unaudited) *HK$'000*
Revenue	*2*	**6,898,722**	5,059,742
Cost of sales		**(5,659,228)**	(3,812,769)
Gross profit		**1,239,494**	1,246,973
Other income		**135,951**	92,625
Net gain (loss) from fair value changes of derivative financial instruments		**4,162**	(24,664)
Distribution and selling expenses		**(108,558)**	(119,965)
Administrative expenses		**(245,819)**	(204,760)
Finance costs	*3*	**(95,013)**	(96,238)
Profit before tax		**930,217**	893,971
Income tax expense	*4*	**(90,965)**	(77,309)
Profit for the period	*5*	**839,252**	816,662
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**64,919**	(14,587)
Gain on hedging instruments in cash flow hedges		**29,456**	44,373
Cumulative loss on hedging instruments reclassified to profit or loss upon early termination		**–**	12,004
Other comprehensive income for the period		**94,375**	41,790
Total comprehensive income for the period		**933,627**	858,452
Dividends:	*6*		
– Final dividend paid		**364,115**	–
– Interim dividend declared		**273,377**	250,224
		HK cents	*HK cents* (restated)
Earnings per share	*7*		
– Basic		**18.44**	17.95
– Diluted		**17.89**	17.95

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2010

	Notes	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	**12,768,309**	12,401,446
Prepaid lease payments		**375,368**	373,826
Deposits paid for acquisition of property, plant and equipment and land use rights		**252,341**	245,869
Interest in an associate	9	**–**	–
Retirement benefit assets		**858**	842
		13,396,876	13,021,983
CURRENT ASSETS			
Inventories	10	**1,980,682**	2,203,858
Prepaid lease payments		**7,722**	7,670
Trade and other receivables	11	**3,895,175**	3,317,779
Amounts due from an associate		**438,646**	437,753
Amounts due from related companies		**33,395**	58,683
Derivative financial instruments		**1,829**	434
Tax recoverable		**42,429**	35,160
Restricted bank deposits		**1,908**	1,908
Bank balances and cash		**714,604**	625,244
		7,116,390	6,688,489
CURRENT LIABILITIES			
Derivative financial instruments		**77,918**	120,836
Trade and other payables	12	**1,987,138**	1,954,831
Tax payable		**56,053**	69,811
Bank and other borrowings		**3,816,862**	2,473,383
		5,937,971	4,618,861
NET CURRENT ASSETS		**1,178,419**	2,069,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,575,295**	15,091,611

	Notes	**30 September 2010 (unaudited)** *HK$'000*	31 March 2010 (audited) *HK$'000*
NON-CURRENT LIABILITIES			
Derivative financial instruments		**21,327**	21,910
Bank and other borrowings		**3,429,224**	4,599,316
Deferred tax liabilities		**374,011**	319,539
		3,824,562	4,940,765
		10,750,733	10,150,846
CAPITAL AND RESERVES			
Share capital		**113,865**	113,770
Reserves		**10,636,868**	10,037,076
		10,750,733	10,150,846

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to 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 (HKICPA).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. **SEGMENTS INFORMATION**

Segment revenues and results

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

Six months ended 30 September 2010

	Paper *HK$'000*	**Pulp** *HK$'000*	**Consolidated** *HK$'000*
REVENUE			
External sales	**6,648,088**	**250,634**	**6,898,722**
SEGMENT RESULTS	**993,692**	**22,630**	**1,016,322**
Net gain from fair value changes of derivative financial instruments			**4,162**
Unallocated corporate income			**7,696**
Unallocated corporate expenses			**(2,950)**
Finance costs			**(95,013)**
Profit before tax			**930,217**

Six months ended 30 September 2009

	Paper *HK$'000*	Pulp *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales	4,881,743	177,999	5,059,742
SEGMENT RESULTS	1,052,895	(45,888)	1,007,007
Net loss from fair value changes of derivative financial instruments			(24,664)
Unallocated corporate income			10,385
Unallocated corporate expenses			(2,519)
Finance costs			(96,238)
Profit before tax			893,971

3. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**130,463**	122,521
Interest on notes payable	**–**	12,042
Total borrowing costs	**130,463**	134,563
Less: amounts capitalised in property, plant and equipment	**(35,450)**	(38,325)
	95,013	96,238

4. INCOME TAX EXPENSE

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– PRC Enterprise Income Tax	**36,492**	3,906
Deferred tax in respect of:		
– Accelerated tax depreciation	**54,473**	40,652
– tax losses	**–**	32,751
	90,965	77,309

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.

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 the six months ended 30 September 2010 and were therefore not subject to EIT for the period 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. Besides, 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 periods ended 30 September 2010 and 30 September 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 US$30,000,000 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 period.

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. During the period, the IRD agreed to hold over the tax claimed completely while 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 PERIOD

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Directors' emoluments	**19,072**	3,926
Staff salaries and other benefits, excluding those of directors	**197,110**	160,902
Contributions to retirement benefit schemes, excluding those of directors	**14,222**	12,798
Total employee benefit expense	**230,404**	177,626
Amortisation of prepaid lease payments	**3,436**	2,998
Cost of inventories recognised as expense	**5,659,228**	3,812,769
Depreciation of property, plant and equipment	**262,393**	234,983
Loss on disposal of property, plant and equipment	**482**	634
Operating lease rentals in respect of land and buildings	**2,306**	1,768
and after crediting (in other income):		
Income from steam and electricity provided	**39,262**	35,307
Income from wharf cargo handling	**21,913**	28,769
Interest income from banks	**7,696**	10,385
Net foreign exchange gains	**–**	16,955
Value added tax refund	**37,415**	–

6. DIVIDENDS

A final dividend of HK8 cents per share was paid in respect of the year ended 31 March 2010 (2009: no final dividend was paid for the year ended 31 March 2009) to shareholders during the current period.

The Directors determined that an interim dividend of HK6.0 cents per share (2009: HK5.5 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 26 November 2010.

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**839,252**	816,662

	2010	2009
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,551,564,927**	4,549,521,648
Effect of dilutive potential ordinary shares:		
– Share options	**140,150,950**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,691,715,877**	4,549,521,648

The weighted average number of ordinary shares of the six months ended 30 September 2009 for the purposes 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 six months ended 30 September 2009 does not assume the exercise of the Group's outstanding share options as the exercise prices of certain options are higher than the average market price and also the performance conditions for the exercise of certain options were not met.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, there were additions of HK$607 million (six months ended 30 September 2009: HK$215 million) to property, plant and equipment to expand its operations.

9. INTEREST IN AN ASSOCIATE

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
Cost of unlisted investment	**1**	1
Share of post-acquisition results and other comprehensive income	**(1)**	(1)
	–	–

Details of the Group's associate at 30 September 2010 and 31 March 2010 are as follows:

Name of associate	Form of business structure	Place of incorporation and operations	Issued and fully paid share capital	Effective interest in the issued share capital held indirectly	Principal Activity
Fortune Sight Group Limited ("FSGL")	Incorporated	British Virgin Islands	Ordinary shares – US$1,000	19%	Investment holding in a PRC subsidiary engaging in the business of forestry resources

On 7 June 2010, the Group entered into agreements with Resource Management Service, LLC ("RMS"), an independent private timberland investor, to dispose of the Group's entire investment in FSGL, an associate of the Group, and transfer the amounts due from FSGL to RMS, at a consideration of approximately HK$410,700,000. The transaction has been completed on 29 October 2010.

10. INVENTORIES

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
Raw materials	**1,588,592**	1,752,994
Finished goods	**392,090**	450,864
	1,980,682	2,203,858

11. TRADE AND OTHER RECEIVABLES

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
Trade receivables	**2,045,907**	1,812,394
Bills receivables	**962,248**	511,465
	3,008,155	2,323,859
Prepayments for purchase of raw materials	**280,887**	335,517
Other deposits and prepayments	**265,137**	251,288
Expenses paid on behalf of suppliers	**135,700**	166,563
VAT receivables	**46,049**	66,208
Deferred consideration receivables for disposal of subsidiaries	**–**	58,139
Other receivables	**159,247**	116,205
	3,895,175	3,317,779

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.

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
Aged:		
Less than 30 days	**2,202,492**	1,661,081
31 – 60 days	**658,541**	379,278
61 – 90 days	**110,619**	261,922
91-120 days	**11,624**	11,192
Over 120 days	**24,879**	10,386
	3,008,155	2,323,859

12. TRADE AND OTHER PAYABLES

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
Current		
Trade and bills payables	**1,443,655**	1,094,287
Accruals	**119,309**	224,408
Other payables	**424,174**	636,136
	1,987,138	1,954,831

The average credit period taken for trade purchases ranges 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.

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
Aged:		
Less than 30 days	**776,003**	639,232
31 – 60 days	**390,769**	220,105
61 – 90 days	**226,963**	158,494
Over 90 days	**49,920**	76,456
	1,443,655	1,094,287

13. REVIEW OF INTERIM ACCOUNTS

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.

BUSINESS REVIEW AND OUTLOOK

Business Review

With the outbreak of the financial crisis in 2008, the Group endeavoured to reduce its debts and paid more attention to financial risk management. The Group's strategy has been adjusted accordingly to accelerate the current assets turnover and thus achieve a healthy development. These initiatives have begun to bear fruit as can be clearly seen in our results.

In the first half of fiscal year 2010/2011, our revenue has surged to a record level of HK$6.9 billion, a year-on-year increase of 36.3%. Net profit attributable to equity holders has also climbed to a record of HK$839 million. Although the substantial increase in the prices of waste paper, coal and other raw materials in the past year has boosted our operating costs, the joint efforts of the entire staff have enabled us to achieve an excellent performance in our procurement, production and marketing, thereby improving our profitability. We have continued as the leader in the containerboard industry in terms of net profit per tonne. In another noteworthy development, during the period, the Group has enlisted Nippon Paper as a strategic shareholder. We believe Nippon Paper will bring substantial benefit to the Group in the areas of product quality and new product development in the foreseeable future.

Outlook

The Chinese domestic market has maintained its continuous growth while the export market has also begun to recover. To meet the rising market demand, we have planned to commence operation of three new production lines in Chongqing and Hongmei in Dongguan in 2011 with a total annual design production capacity of 1.5 million tonnes. Leveraging Nippon Paper's experience in producing coated duplex board, we will dedicate one of the new production lines to high-end coated duplex board, with an annual design capacity of 600,000 tonnes, marking a breakthrough in the Group's new product development. We will continue to adhere to a course of "high-end, high value and high profit" in our new future product development strategy.

To optimise our business footprint in China, we have set up a new production base in Jiujiang in Jiangxi Province. With the operation of two new production lines commencing in mid-2012 with an annual design production capacity of 900,000 tonnes, the Group's total design production capacity will reach nearly 7 million tonnes, placing the Group among the top three containerboard manufacturers in the world. The compound annual growth rate of design production capacity from 2010 to 2012 will be 20%. Meanwhile, we are also seeking a suitable location in northern China for establishing the first production base of the Group in the northern region, which will help set a solid foundation for our sustainable development in China in the long term.

The containerboard market has encouraging prospects in the next few years. While pursuing sustainable development, we will also endeavour to manage risk and maintain a healthy and reasonable debt level. The Group has a strong operating cash flow, sufficient to meet substantially capital expenditure incurred in capacity expansion. We would like to express our gratitude to our partners from various business sectors for their strong support, and will continue our efforts in developing new markets, controlling costs and optimising the Group's capital structure to deliver better returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit attributable to equity holder of the Company for the six months ended 30 September 2010 was HK$6,899 million and HK$839 million respectively, representing an increase of 36.3% and 2.8%, as compared to HK$5,060 million and HK$817 million, for the corresponding period last year. The earnings per share for the period was HK18.44 cents as compared to HK17.95 cents (adjusted to reflect the effect of share subdivision) for the corresponding period last year.

Both the Group's containerboard sales volume and net margin per ton were comparable to the corresponding period last year. The increase in revenue was mainly attributable to the increase in the Group's average selling price of containerboard.

Distribution and Selling Expenses and Administrative Expenses

The Group's distribution and selling expenses decreased by approximately 9.5% from HK$120.0 million for the six months ended 30 September 2009 to HK$108.6 million for the six months ended 30 September 2010.

The Group's administrative expenses increased by approximately 20.1% from HK$204.8 million for the six months ended 30 September 2009 to HK$245.8 million for the six months ended 30 September 2010 as a result of the expansion in the operation of the Group during this period. The distribution and selling expenses and administrative expenses represented about 1.6% and 3.6% of the revenue, respectively, for the six months ended 30 September 2010, and were both slightly decreased as compared to the year ended 31 March 2010.

Finance Costs

The Group's total borrowing costs (including the amounts capitalized) decreased by approximately 3.0% from HK$134.6 million for the six months ended 30 September 2009 to HK$130.5 million for the six months ended 30 September 2010. The decrease was mainly due to the decrease in average amount of outstanding bank and other borrowings during the period.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 60 days and 13 days, respectively, for the six months ended 30 September 2010 as compared to 82 days and 20 days, respectively, for the year ended 31 March 2010.

The Group's debtors' turnover days were 54 days for the six months ended 30 September 2010 as compared to 60 days for the year ended 31 March 2010. 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 55 days for the six months ended 30 September 2010 as compared to 51 days for the year ended 31 March 2010 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 30 September 2010 was HK$10,751 million (31 March 2010: HK$10,151 million). As at 30 September 2010, the Group had current assets of HK$7,116 million (31 March 2010: HK$6,688 million) and current liabilities of HK$5,938 million (31 March 2010: HK$4,619 million). The current ratio was 1.20 as at 30 September 2010 as compared to 1.45 at 31 March 2010.

The Group generally finances its operations with internally generated cashflow and credit facilities provided by its principal bankers in Macau, Hong Kong and the PRC. As at 30 September 2010, the Group had outstanding bank and other borrowings of HK$7,246 million (31 March 2010: HK$7,073 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) decreased from 0.64 as at 31 March 2010 to 0.61 as at 30 September 2010.

The Group's liquidity position continuously improved and 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 Renminbi, Hong Kong dollars 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 six months ended 30 September 2010.

During the six months ended 30 September 2010, the Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

EMPLOYEES

As at 30 September 2010, the Group had a workforce of more than 7,200 employees. Salaries of employees are maintained at a 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 Company.

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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK6.0 cents (2009: HK5.5 cents, adjusted to reflect the effect of share subdivision) per share for the six months ended 30 September 2010 to shareholders whose names appear on the Register of Members on 26 November 2010. It is expected that the interim dividend will be paid around 8 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 24 November 2010 to 26 November 2010, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim 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, Wanchai, Hong Kong for registration no later than 4.30 pm on 23 November 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding directors' securities transactions. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2010. The Model Code also applies to other specified senior management of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprised of one non-executive director namely Mr Yoshio Haga and three independent non-executive directors namely, Mr Wong Kai Tung Tony, Mr Peter A Davies and Mr Chau Shing Yim David.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures and financial reporting matters including the review of the Group's unaudited interim financial statements for the six months ended 30 September 2010.

REMUNERATION COMMITTEE

To comply with the Code, a remuneration committee was established on 28 September 2005 with specific written terms of reference which deal clearly with its authority and duties. The current members of the remuneration committee comprise one executive director namely Mr Kunihiko Kashima and three independent non-executive directors, namely Mr Wong Kai Tung Tony, Mr Peter A Davies and Mr Chau Shing Yim David.

On behalf of the Board
Lee Wan Keung Patrick
Chairman

Hong Kong, 8 November 2010

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 Kunihiko Kashima, two non-executive directors, namely Professor Poon Chung Kwong and Mr Yoshio Haga, and three independent non-executive directors, namely Mr Wong Kai Tung Tony, Mr Peter A Davies and Mr Chau Shing Yim David.