



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 2007**

FINANCIAL HIGHLIGHTS

- Turnover increased by 36.6% to HK\$5,161 million
- Profit attributable to shareholders increased by 68.3% to HK\$1,010 million
- Earnings per share increased by 61.8% to HK100.71 cents

ANNUAL RESULTS

The board of directors 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 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	2	5,160,552	3,778,054
Cost of sales		(3,799,101)	(2,903,880)
Gross profit		1,361,451	874,174
Other income		143,175	93,215
Selling and distribution costs		(147,029)	(118,517)
Administrative expenses		(234,127)	(150,349)
Finance costs	3	(82,465)	(72,937)
Profit before taxation		1,041,005	625,586
Income tax expense	4	(30,894)	(25,558)
Profit for the year	5	1,010,111	600,028
Attributable to:			
Equity holder of the Company		1,010,204	600,028
Minority interests		(93)	—
		1,010,111	600,028
Dividend	6	395,541	173,409
Earnings per share	7		
— Basic		100.71 cents	62.24 cents
— Diluted		98.55 cents	62.13 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	<i>Notes</i>	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,524,620	3,575,000
Prepaid lease payments – non-current portion		316,831	176,441
Deposits paid for acquisition of property, plant and equipment and land use rights		931,536	155,649
Deferred tax assets		31,707	19,956
Retirement benefit assets		682	607
		<u>6,805,376</u>	<u>3,927,653</u>
CURRENT ASSETS			
Inventories		1,379,159	774,259
Prepaid lease payments — current portion		14,982	3,850
Trade receivables	8	819,383	676,364
Bills receivable	8	261,239	130,753
Deposits, prepayments and other receivables		293,070	125,597
Amount due from a related company		12,743	22,938
Derivative financial instruments		42,310	1,131
Restricted bank deposits		1,953	1,154
Bank balances and cash		214,985	110,317
		<u>3,039,824</u>	<u>1,846,363</u>
CURRENT LIABILITIES			
Trade and bills payable	9	510,454	169,689
Accruals and other payables		380,029	181,575
Taxation payable		20,718	12,358
Bank borrowings — due within one year		824,762	782,611
Derivative financial instruments		12,104	2,028
		<u>1,748,067</u>	<u>1,148,261</u>
NET CURRENT ASSETS		<u>1,291,757</u>	<u>698,102</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,097,133</u>	<u>4,625,755</u>
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year		1,255,600	100,000
Deferred tax liabilities		46,932	30,266
Convertible bonds		205,364	901,006
Retirement benefit liabilities		18,536	17,439
		<u>1,526,432</u>	<u>1,048,711</u>
		<u>6,570,701</u>	<u>3,577,044</u>
CAPITAL AND RESERVES			
Share capital		111,948	96,761
Reserves		6,458,846	3,480,283
Equity attributable to equity holders of the Company		6,570,794	3,577,044
Minority interests		(93)	—
Total equity		<u>6,570,701</u>	<u>3,577,044</u>

Notes:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-INT 11	HKFRS 2 — Group and Treasury Share Transactions ⁶
HK(IFRIC)-INT 12	Service Concession Arrangements ⁷

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

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:

2007

Consolidated income statement

	Paper HK\$'000	Pulp HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue — External sales	4,730,597	429,955	—	5,160,552
Inter-segment sales	<u>—</u>	<u>434,349</u>	<u>(434,349)</u>	<u>—</u>
	<u>4,730,597</u>	<u>864,304</u>	<u>(434,349)</u>	<u>5,160,552</u>
SEGMENT RESULTS	<u>1,046,846</u>	<u>44,143</u>	<u>—</u>	<u>1,090,989</u>
Interest income				4,136
Net gain arising from change in fair value of derivative financial instrument				31,103
Unallocated corporate expenses				(2,758)
Finance costs				<u>(82,465)</u>
Profit before taxation				1,041,005
Income tax expense				<u>(30,894)</u>
Profit for the year				<u>1,010,111</u>

Inter-segment sales are charged at market value or, where no market price was available, at terms determined and agreed by both parties.

Consolidated balance sheet

	Paper HK\$'000	Pulp HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	9,343,225	210,338	9,553,563
Unallocated corporate assets			<u>291,637</u>
Consolidated total assets			<u>9,845,200</u>
LIABILITIES			
Segment liabilities	808,922	102,279	911,201
Unallocated corporate liabilities			<u>2,363,298</u>
Consolidated total liabilities			<u>3,274,499</u>

Other information

	Paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	1,902,717	59,072	1,961,789
Depreciation of property, plant and equipment	147,063	4,704	151,767
Loss on disposal of property, plant and equipment	<u>234</u>	<u>—</u>	<u>234</u>

2006

Consolidated income statement

	Paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue — External sales	3,388,481	389,573	—	3,778,054
Inter-segment sales	<u>—</u>	<u>424,519</u>	<u>(424,519)</u>	<u>—</u>
	<u>3,388,481</u>	<u>814,092</u>	<u>(424,519)</u>	<u>3,778,054</u>
SEGMENT RESULTS	<u>622,639</u>	<u>53,007</u>	<u>—</u>	675,646
Interest income				1,871
Net gain arising from change in fair value of derivative financial instruments				23,103
Unallocated corporate expenses				(2,097)
Finance costs				<u>(72,937)</u>
Profit before taxation				625,586
Income tax expense				<u>(25,558)</u>
Profit for the year				<u>600,028</u>

Inter-segment sales are charged at market value or, where no market price was available, at terms determined and agreed by both parties.

Consolidated balance sheet

	Paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	5,481,565	159,893	5,641,458
Unallocated corporate assets			<u>132,558</u>
Consolidated total assets			<u>5,774,016</u>
LIABILITIES			
Segment liabilities	243,576	125,127	368,703
Unallocated corporate liabilities			<u>1,828,269</u>
Consolidated total liabilities			<u>2,196,972</u>

Other information

	Paper HK\$'000	Pulp HK\$'000	Consolidated HK\$'000
Capital expenditure	1,081,513	52,060	1,133,573
Depreciation of property, plant and equipment	96,862	1,127	97,989
Loss on disposal of property, plant and equipment	<u>365</u>	<u>—</u>	<u>365</u>

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2007 HK\$'000	2006 HK\$'000
People's Republic of China other than Hong Kong (the "PRC")	2,747,598	2,020,665
Export sales delivered in the PRC (<i>Note</i>)	1,575,332	1,338,904
Asia other than PRC	589,567	418,485
United States of America	65,514	—
Others	<u>182,541</u>	<u>—</u>
	<u>5,160,552</u>	<u>3,778,054</u>

Note: These are sales to PRC customers who ultimately export the goods outside the PRC.

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
PRC other than Hong Kong	9,330,786	5,497,107	1,902,495	1,072,715
Hong Kong	12,439	11,987	222	8,856
United States of America	<u>210,338</u>	<u>132,364</u>	<u>59,072</u>	<u>52,002</u>
	<u>9,553,563</u>	<u>5,641,458</u>	<u>1,961,789</u>	<u>1,133,573</u>

3. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on bank borrowings wholly repayable within five years	82,446	56,496
Interest on convertible bonds	45,771	12,712
Other finance costs	<u>2,406</u>	<u>3,729</u>
Total borrowing costs	130,623	72,937
Less: amounts capitalised in construction in progress	<u>(48,158)</u>	<u>—</u>
	<u>82,465</u>	<u>72,937</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.1% (2006: Nil) to expenditures on qualifying assets.

4. INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
PRC Foreign Enterprise Income Tax	24,912	15,715
Deferred taxation	<u>5,982</u>	<u>9,843</u>
	<u>30,894</u>	<u>25,558</u>

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

The subsidiaries in the PRC, other than Dongguan Lee & Man Paper Factory Co., Limited ("Dongguan Lee & Man") are entitled to exemption from PRC Foreign Enterprise Income Tax for the two years starting from its first profit-making year, followed by a 50% relief for the three years thereafter ("Tax Holiday").

During the year ended 31 March 2006, the Tax Holiday of Dongguan Lee & Man expired and Dongguan Lee & Man is subject to PRC Foreign Enterprise Income Tax starting from January 2006. However Dongguan Lee & Man is entitled to pay enterprise income tax at 18% because approval had been obtained from the PRC tax authority during the year ended 31 March 2005.

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People's congress on 16 March 2007, the new PRC Enterprise Income Tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Foreign enterprises which are entitled to special incentives will be given concessions throughout a 5-year transition period, if applicable. Management has assessed the impact of this change in tax law on the Group's results of operations and financial position.

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.

A Macau company incorporated under Decree-Law no. 58/99/M ("58/99/M Company") is exempted from Macau complementary tax (Macau income tax) as long as the 58/99/M Company does not sell its products to a Macau resident.

5. PROFIT FOR THE YEAR

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>

Profit for the year has been arrived at after charging:

Directors' emoluments	7,603	5,174
Other staff salaries and other benefits, excluding those of directors	244,759	188,047
Share-based payment expense, excluding those of directors	4,807	1,049
Contributions to retirement benefit schemes, excluding those of directors	<u>11,476</u>	<u>22,530</u>

Total employee benefits expense	<u>268,645</u>	<u>216,800</u>
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Amortisation of prepaid lease payments	3,099	3,844
Auditors' remuneration	2,117	1,537
Cost of inventories recognised as expenses	3,799,101	2,903,880
Depreciation of property, plant and equipment	151,767	97,989
Loss on disposal of property, plant and equipment	234	365
Operating lease rentals in respect of land and buildings	9,335	10,251

and after crediting:

Interest income	4,136	1,871
Net foreign exchange gain	44,555	38,590
Net gain arising from change in fair value of derivative financial instruments	31,103	23,103
Rental income	390	390
Steam income	<u>4,681</u>	<u>1,560</u>

6. DIVIDEND

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>

Dividends recognised as distribution:

2006 final dividend of HK\$0.24 (2005 final: HK\$0.18)	233,294	173,409
2007 interim dividend of HK\$0.16 (2006 interim: Nil)	<u>162,247</u>	<u>—</u>

	<u>395,541</u>	<u>173,409</u>
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A final dividend of HK\$0.20 (2006: HK\$0.24) per share has been proposed by the board of directors of the Company 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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company	1,010,204	600,028
Effect of dilutive potential ordinary shares:		
— Interest on convertible bonds	45,771	—
— Gain on change in fair value of derivatives embedded in the convertible bonds	<u>(1,197)</u>	<u>—</u>
	<u>1,054,778</u>	<u>600,028</u>
	2007 <i>Number of Shares</i>	2006 <i>Number of Shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,003,067,042	963,981,063
Effect of dilutive potential ordinary shares:		
— Share options	1,497,334	1,730,267
— Convertible bonds	<u>65,731,279</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,070,295,655</u>	<u>965,711,330</u>

The diluted earnings per share for the year ended 31 March 2006 did not take into account the effect of the convertible bonds because they were anti-dilutive for that year.

8. TRADE RECEIVABLES AND BILLS RECEIVABLE

The Group generally allows an average credit period range from 45 to 60 days.

An aging analysis of the trade receivables and bills receivable is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables	819,383	676,364
Bills receivable	<u>261,239</u>	<u>130,753</u>
	<u>1,080,622</u>	<u>807,117</u>
Aged:		
Less than 30 days	769,135	467,520
31–60 days	217,302	187,184
61–90 days	72,979	104,210
Over 90 days	<u>21,206</u>	<u>48,203</u>
	<u>1,080,622</u>	<u>807,117</u>

As at 31 March 2007, bills receivable of HK\$55,751,000 (2006: HK\$49,313,000) were pledged to secure banking facilities granted to the Group.

9. TRADE AND BILLS PAYABLE

Trade and bills payable principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases range from 30 to 60 days.

An aging analysis of the trade and bills payable is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Aged:		
Less than 30 days	465,392	155,877
31–60 days	28,592	7,991
61–90 days	8,849	5,074
Over 90 days	<u>7,621</u>	<u>747</u>
	<u>510,454</u>	<u>169,689</u>

FINAL DIVIDEND

The Directors have proposed a final dividend of HK20 cents per share for the year ended 31 March 2007 to shareholders whose names appear on the Register of Members on 3 September 2007. 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 12 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 29 August 2007 to 3 September 2007, 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 pm on 28 August 2007.

BUSINESS REVIEW AND OUTLOOK

Business Review

For the fiscal year of 2006/2007, a growth in containerboard sales was observed with 1.67 million tons of containerboard and 102,000 tons of pulp sold (another 100,000 tons of pulp was self-used); and the total sales volume was 1.77 million tons. The Group achieved a turnover of HK\$5,161 million and has recorded a net profit of HK\$1,010 million. This represents an increase in turnover of 36.6% and an increase in net profit of 68.3% over last year. During the year, all of our paper production lines and our pulp mill ran at maximum capacity.

During the year, we saw strong demand for containerboards driven by higher export and domestic demands of manufactured goods. Further, our superior technology and our experienced management team allow us to produce excellent quality products at a lower cost. These two facts result in significantly higher turnover and higher margins.

Outlook

The Group is fully confident of the market. The Group will install seven world-class paper production lines and two bleached hardwood kraft pulp (BHKP) production lines. In fact, PM8 and PM9, with a total annual capacity of 860,000 tons have already started production in the first half of 2007. PM10, PM11, with a total annual capacity of 600,000 tons, will commence production before September 2007. The remaining three paper production lines and two pulp production lines are also scheduled to start production within 2008. With this expansion, the Group's annual pulp and paper capacity will reach 4,700,000 tons (500,000 tons of pulp and 4,200,000 tons of containerboard), making the Group one of the largest pulp and paper producers in the world. Just as important, we are extending our geographic

coverage with two of our paper production lines (PM13 and PM15) and two pulp mills (BHKP1 and BHKP2) are scheduled to start at our new production sites in Chongqing and Vietnam in 2008 and will make contribution to the Group's profit.

Our challenges are beyond pure financial gains. With increasing social awareness in environmental protection, we are investing in the world's most advanced technology to reduce water and energy consumption and to reduce the quantity of effluents produced. With these investments, we hope to lead the industry to a greener and healthier future, while becoming one of the largest and most important pulp and paper producers in the world.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Turnover and net profit attributable to equity holder of the parent for the year ended 31 March 2007 was HK\$5,161 million and HK\$1,010 million, representing an increase of 36.6% and 68.3%, as compared to HK\$3,778 million and HK\$600 million, respectively, for last year. The basic earnings per share for the year was HK100.71 cents when compared with HK62.24 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 the paper machine VII and VIII during the year.

Selling and Distribution Costs and Administrative Expenses

The Group's selling and distribution costs and administrative expenses increased by approximately 24.1% and 55.7% from HK\$119 million and HK\$150 million for the year ended 31 March 2006 to HK\$147 million and HK\$234 million for the year ended 31 March 2007 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\$82.5 million for the year ended 31 March 2007 as compared to HK\$72.9 million for the year ended 31 March 2006. The increase was mainly due to the increase in average amount of outstanding bank loans during the year.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 120 days and 13 days, respectively, for the year ended 31 March 2007 as compared to 100 days and 11 days, respectively, for the year ended 31 March 2006. This exhibits continued strong demand from our customers.

The Group's debtors' turnover days were 58 days for the year ended 31 March 2007 as compared to 65 days for the year ended 31 March 2006. This is in line with the credit terms of around 45 days to 60 days granted by the Group to its customers.

The Group's creditors' turnover days were 49 days for the year ended 31 March 2007 as compared to 26 days for the year ended 31 March 2006 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 2007 was HK\$6,571 million (31 March 2006: HK\$3,577 million). As at 31 March 2007, the Group had current assets of HK\$3,040 million (31 March 2006: HK\$1,846 million) and current liabilities of HK\$1,748 million (31 March 2006: HK\$1,148 million). The current ratio was 1.74 as at 31 March 2007 as compared to 1.61 at 31 March 2006.

The Group generally finances its operations with internally generated cashflow and credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2007, the Group had outstanding bank borrowings of HK\$2,080 million (31 March 2006: HK\$883 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 0.47 as at 31 March 2006 to 0.32 as at 31 March 2007 where HK\$741 million of the convertible bonds due in 2011 were converted into shares and thus, total long term borrowing decreased accordingly.

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 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 year ended 31 March 2007. During the year ended 31 March 2007, the Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure. In this regards, the Group considers its currency risk is significantly reduced.

Use of Proceeds from the Issue of the Convertible Bonds

The net proceeds from the issue of the new shares which completed in January 2007, of approximately HK\$1,460 million, will be used to finance the Group's acquisition of paper machine VII to XII and related production equipments and services which are expected to be incurred over the next year. The proceeds from the issue of the new shares not immediately applied towards the purchase of paper machines have been employed as general working capital.

Employees

As at 31 March 2007, the Group had a workforce of more than 5,900 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 directors (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 2007, 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 2007. 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, 16 July 2007

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

* *for identification purposes*