OVERVIEW

[The Group is principally engaged in the manufacturing and sale of corrugated paperboards and paper-based packaging products to customers which are manufacturers with production base in the PRC for approximately 20 years. Founded in Hong Kong, the Group began the manufacturing and sale of corrugated cartons in 1989 and corrugated paperboards in 1992.]

The Directors believe that the Group is competitive and well positioned in the industry in view of the Group's product range including corrugated paperboards, paper-based packaging products, substandard paperboards and scraps, long-term relationship with customers of internationally recognised brand name and suppliers as well as in-depth knowledge and experience of the Group's management in the corrugated packaging products business.

Customers of the Group's corrugated paperboards include manufacturers of corrugated carton. Customers of the Group's paper-based packaging products mainly include consumer products manufacturers of renowned brands in various industries, and/or their manufacturing arm or OEM, who use the Group's products for packaging purposes. In order to satisfy specific product requirements and production schedules of customers, the Group provides or advises them on structural design of corrugated carton. In addition, the Group sells its substandard paperboards and scraps to corrugated carton manufacturers, paper mills and scrap dealer.

[To the best knowledge of the Directors, the Group is one of the largest customers of the Lee & Man Group and the Nine Dragons Group, two leading paper mills in the PRC.] The Group has established long-term business relationship with its major suppliers and thus is able to stabilise the cost and supply of raw papers.

The Group has established its production base which is composed of the Three Production Plants in Shenzhen in the PRC with an aggregate annual production capacity of approximately 284 million sq.m. of corrugated paperboards and approximately 250 million pieces of corrugated cartons. [A new production plant is expected to be built in Huizhou, Guangdong Province, the PRC by [July 2010]. Production is expected to commence by [October 2010], contributing to the Group an additional annual production capacity of corrugated paperboards of approximately 100 million sq.m. and corrugated cartons of approximately 100 million pieces, and a new annual production capacity of moulded pulps of approximately 1,000 tonnes as well.]

COMPETITIVE STRENGTHS

The Group considers that its achievements are principally attributable to the following competitive strengths of the Group:

- **Long operating history and good reputation in the packaging industry**

  The Group has approximately 20 years history in the manufacturing and sale of corrugated paperboards and paper-based packaging products. Come Sure

Shenzhen has obtained awards and recognitions from various independent organisations for its product quality and market position. In June 2002, Come Sure Shenzhen obtained "Excellence Award for Printing" (印刷精品獎) from the Printing Technology Association of China (中國印刷技術協會) for the good quality of its flexo printing on corrugated cartons. In February 2004, Come Sure Shenzhen was ranked 13th in the "Top Hundred Enterprises (Package Printing Type) in Guangdong Province" (廣東省印刷百強企業包裝印刷類第十三名) for the year of 2003 by the Printing and Replicating Industrial Association of Guangdong (廣東印刷複製業協會, formerly known as the Printing Association of Guangdong (廣東印刷協會)), Come Sure Shenzhen was ranked 26th, 27th, 25th and 29th in the "Top Hundred Printing Enterprises in the PRC" (中國印刷業100強名單) for the year of 2005, 2006, 2007 and 2008 respectively by Printing Manager Annual Conference (印刷經理人年會). In November 2007, Come Sure Shenzhen was awarded "New Products, New Technologies, New Development Award" (新產品、新技術、新工藝開發獎) and "Innovative Enterprise Award" (企業創新獎) by Shenzhen Packaging Profession Association (深圳市包裝行業協會). These awards demonstrated that Come Sure Shenzhen is one of the sizable and reputable enterprises in the packaging industry in the PRC, thus enabling the Group to expand its business and market share.

- **Solutions for paper-based packaging products**

The Group provides packaging solutions to meet customers' specific requirements for packaging products, which differentiates the Group from many traditional corrugated carton manufacturers which basically produce corrugated cartons in accordance with the designs and specifications of customers.

The Group offers a range of paper-based packaging products. Apart from corrugated paperboards and cartons, the Group's product range extends to folded cards, pallets, display racks and instruction leaflets. The Group also advises or provides innovative structural design of corrugated carton so as to provide protective, space-and-cost-saving packaging product.

With the capability to provide the above solutions to customers, the Directors consider that the Group is able to build up and maintain close and long-term business relationship with its customers.

- **Diversified and strong customer base**

The Group has a customer base with over 250 customers in various industries including electronic and electrical appliances, garment, furniture, food and beverages, toys, medicine as well as audio and video products. With such a diversified customer base, the Group is able to avoid over-reliance on any particular customer or industry and, accordingly is able to generate relatively stable revenue stream during peak and low seasons of different industries.

Customers of the Group mainly include manufacturers of corrugated carton, manufacturers who use the Group's products for packaging purposes, and the manufacturing arm or OEM of renowned brands of consumer products in various industries, such as Jinlongyu (金龍魚), one of the major cooking oil producers in the PRC, in food and beverages industry, Philips (飛利浦) in electronic appliances, audio and video products industry. Such well penetrated and solid customer base can provide a favourable foundation for the Group to develop and expand its business.

- **Strong production capability**

Automatic corrugated paperboard production lines are installed in the First Production Plant and the Second Production Plant in Shenzhen in the PRC. As at the Latest Practicable Date, the two plants had a total production capacity of approximately 284 million sq.m. of corrugated paperboards per annum and approximately 118 million pieces of corrugated cartons per annum. The Third Production Plant had a total production capacity of approximately 132 million pieces of corrugated cartons per annum. The Group has made considerable amount of investments in plant and machinery including those imported from Europe and Japan. Due to high production efficiency and close proximity of its production facilities to the production bases of its customers, the Group is able to produce and deliver products to customers on a timely basis.

- **Good relationship with suppliers**

The Group has maintained good and long-term relationship with its local and overseas suppliers. Among others, the Group has more than nine years business relationship with two major suppliers of raw paper, namely Nine Dragons Group and Lee & Man Group. These two suppliers are two of the largest paper mills in the PRC and the shares of each of their holding company are listed on the Main Board. The Group has been given competitive pricing and credit terms and stable supply from these two suppliers, which in turn allows the Group to offer competitive pricing to its customers and meet customers' product specifications and delivery schedules on a timely basis.

- **Stringent quality control**

The Group has adopted, and has required the Processing Partner to adopt stringent quality control measures throughout the entire production process which include sample testing of raw paper texture and random inspection of quality at each stage of production. Come Sure Shenzhen also has two laboratories for sample testing of raw paper texture before production and sample testing of finished products before delivery.

As at the Latest Practicable Date, both Come Sure Shenzhen and the Processing Partner have been accredited with the internationally recognised ISO9001 certification in respect of the quality management system they operate. The Directors believe that the Group has maintained good reputation for product quality among the packaging industry as a result of its continual adherence to stringent quality control procedures.

- **Strong management team with in-depth knowledge in the paper-based packaging industry**

  The Group's continued success is attributable, to a large extent, to its strong and experienced management team led by Mr. Chong. The management team has in-depth knowledge of the paper-based packaging products and maintains good relationship with its customers and suppliers. In particular, Mr. Chong, the founder, an executive Director, President of the Group and the Chairman of the Board, has almost 20 years of experience and knowledge in the corrugated paper industry and packaging requirements for various industries such as electronic appliances, food and beverages as well as garment. The senior management not only possesses extensive experience and profound knowledge of the paper-based packaging industry in the PRC, but also understands the needs of the Group's customers which enable the Group to maintain its competitive edges over its competitors.

HISTORY AND DEVELOPMENT

[Before founding the Group, Mr. Chong set up Come Sure Development in Hong Kong with certain partners in 1987 to produce and sell corrugated products in Shenzhen, the PRC. The Group was founded by Mr. Chong after he and his wife, Mrs. Chong Po Ting acquired the interests in Come Sure Development from those partners and became the sole owner of Come Sure Development in 1989.]

In December 1992, Come Sure Shenzhen was established by Come Sure Development in the PRC as the manufacturing arm of the Group which set up the First Production Plant in Shenzhen, the PRC to produce corrugated paperboards and paper-based packaging products.

In August 1995, Come Sure Holdings was incorporated in the BVI. In September 1995, Mr. Chong and his wife, Mrs. Chong Chan Po Ting, transferred the entire interest in Come Sure Development to Come Sure Holdings' direct wholly-owned subsidiaries, Central Master Limited and Central Dragon Limited. After the said transfer, Come Sure Holdings became the indirect holding company of Come Sure Development and engaged in the trading of the finished goods manufactured by Come Sure Shenzhen.

In February 1996, Come Sure Shenzhen was accredited with ISO 9002 certification.

In June 2000, the Second Production Plant in Shenzhen was established and commenced commercial production of corrugated paperboards and paper-based packaging products. The Directors consider that reputation of the Group in the industry helps to attract orders from manufacturers of well-known customer products in the PRC such as Jinlongyu (金龍魚) and Philips (飛利浦).

In 2001, the quality management system of Come Sure Shenzhen was accredited with ISO 9001 and ISO 14001 certifications.

In September 2002, the Group entered into the Processing Agreement to establish the Third Production Plant in Shenzhen to manufacture offset printed cartons and other paper-based packaging products. The Third Production Plant commenced commercial production in May 2003 and principally engaged in the manufacture of offset printed cartons, a new product of the Group, which captured orders from international conglomerates of consumer products such as Philips (飛利浦). In August 2003, the quality management system of the Processing Partner in respect of the Third Production Plant was accredited with ISO 9001 certification.

In January 2005, the Group incorporated Chance Bright and Come Sure Macau as procuring and trading arm of the Group respectively. Chance Bright and Come Sure Macau are offshore commercial service institutions incorporated under the Decree-Law No. 58/99/M of Macau. Each of the companies has its own physical office in Macau, hires local employees and has its own banking facilities in Macau. Since Chance Bright and Come Sure Macau target on non-Macau customers and transactions are denominated in non-Macau currency, according to the Decree-Law, they are exempted from Macau complementary tax (profits tax), Macau industrial tax and Macau stamp duty levies relating to offshore business.

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for the [●], pursuant to which the Company was incorporated in the Cayman Islands in March 2006 and became the ultimate holding company of all the subsidiaries. The Reorganisation started with the streamlining of the overall group structure by disposing of companies which did not have substantial operation. The Group then underwent a rationalisation of the shareholdings of Wah Ming and several Group companies were subsequently injected into Jumbo Match. Details of the Reorganisation are set forth under "Corporate Reorganisation" in Appendix [VI] to this document.

On 16 May 2006, Rich Growth and the Company, among others, entered into a subscription agreement (as amended by a supplemental agreement dated 21 December 2007, collectively the "Subscription Agreement") pursuant to which Rich Growth subscribed for certain Shares, representing 10.35% issued share capital in the Company (the "Subject Shares"), for a cash consideration of HK$23,280,000. The consideration was negotiated on an arm's length basis between the parties to the agreement by reference to, among others, the unaudited combined net assets value of the Group as at 31 December 2005, future prospects of the business of the Group and risks associated with the investment of Rich Growth. The Subscription Agreement was later completed and Rich Growth became a financial investor of the Company.

In early 2008, the Group established Keen Rise and set up a new sales team of 3 staff having relevant sales experience in the paper-based packaging products market in Hong Kong to further explore the paper-based packaging products market in Hong Kong. The team commenced to bring in new income stream to the Group since April 2008.

On 5 November 2008, Rich Growth exercised the put option granted to it under the Subscription Agreement to sell the Subject Shares to Perfect Group for a cash consideration of HK$26,073,600, being the subscription price of the Subject Shares plus a premium of 12%. On 4 December 2008, the parties to the Subscription Agreement executed a settlement deed to the effect that upon completion of the said sale and purchase of the Subject Shares, *inter alia*, each party's liabilities and obligations under the Subscription Agreement and the related deed of tax indemnity should be fully released and discharged. The said sale and purchase of the Subject Shares was completed on 5 December 2008.

In [January 2009], the Group entered into an agreement with Mr. Chong to acquire the Huidong Land for the establishment of the new production plant in Huidong County in Huizhou in Guangdong Province through the acquisition of the entire issued share capital of Century Shiny at a cash consideration of approximately HK$[865,000] which was equivalent to the consideration received from Mr. Chong when the Group disposed of Century Shiny to Mr. Chong in November 2006. At the same time, the Group acquired a shareholder's loan in the amount of approximately HK$[28,395,000] at cost owed by Century Shiny to Mr. Chong.

PRODUCTS

Principal products of the Group include corrugated paperboards and paper-based packaging products. The following table sets forth a breakdown of the Group's turnover by products during the Track Record Period:

	Year ended 31 March						Six months ended 30 September	
	2006		2007		2008		2008	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Corrugated paperboards	251,723	43.8	271,198	42.2	325,311	48.9	162,125	41.3
Paper-based packaging products	307,627	53.5	355,412	55.2	324,390	48.7	220,683	56.3
Substandard paperboards and scraps	15,521	2.7	16,588	2.6	15,966	2.4	9,375	2.4
Total	574,871	100	643,198	100	665,667	100	392,183	100

Corrugated paperboards

The Group manufactures corrugated paperboard of different size, shape, thickness and strength according to its customers' specifications, among which single-wall or double-wall corrugated paperboard are principally produced by the Group. The corrugated paperboard is made by adhering linerboards to corrugated medium and is sold to corrugated carton manufacturers. Corrugated paperboard is a durable, versatile, economical and light weight material and therefore is widely applied in making packaging containers for transportation and storage, pallets for bulk handling as well as point-of-purchase display rack.

Paper-based packaging products

The Group manufactures and sells a variety of paper-based products for packaging, bulk handling as well as point-of-purchase display. They mainly include corrugated cartons and other ancillary products such as folded cards and instruction leaflets, as well as other products such as paper-made pallets and display racks.

Corrugated carton produced by the Group is suitable for many types of contents. It is made of corrugated paperboard which is die-cut into the required shape and size, then be folded and glued to form a container box. As a consumer product package, logos, brands or graphics are flexo or offset printed on corrugated cartons according to customers' specifications to enhance appearance of corrugated cartons to attain marketing and advertising purposes.

To supplement its corrugated carton, the Group manufactures and sells inner paper packaging products, including mainly paper-made folded cards and instruction leaflets. These products are often sold in conjunction with corrugated carton as a set of product.

The Group also produces paper-made pallets for easy loading or uploading of heavy or bulky products by forklifts, and display racks which are specifically designed paper stands for product display.

Protectiveness of a corrugated carton is determined by a number of factors, among others, the types of corrugated paperboard in terms of intensity, flute size, endurance to external force, edgewise compression strength, vibration and moisture content used to produce the carton, and the structural design. One which is fit for the content is not only protective and space-saving but also transportation-and-storage-cost saving. The Group leverages its in-depth knowledge and experience to provide, or advise its customers on, selection of corrugated paperboard and structural design of corrugated carton with an aim to provide them with protective, space-and-cost-saving and eye-catching packaging products.

Substandard paperboards and scraps

Substandard paperboards are corrugated paperboards generated during production which cannot meet the Group's quality control standards and are mainly sold to other corrugated carton manufacturers. Normal raw paper spoilage or scraps which are remain generated during production are sold to paper mills or scrap dealer.

PRODUCTION FACILITIES

During the Track Record Period, the Group itself, and through the Processing Partner, carried out production in the Three Production Plants which were located in Shajing Town, Baoan District, Shenzhen, the PRC occupying a total gross floor area of approximately 88,334 sq.m., details of which are set forth in the table below. All the machinery and equipment in the production lines, and the production capacity of which, are owned by the Group. In addition, a new production plant will be built in Huizhou, Guangdong Province, the PRC.

Plants *(Note)*	**Approximate gross floor area** *('000 sq.m.)*	**Date/Expected date of commencement of operation**	**Principal products**
First Production Plant	14.3	December 1992	Corrugated paperboards and cartons with/without flexo printing
Second Production Plant	46.5	June 2000	Corrugated paperboards and cartons with/without flexo printing
Third Production Plant	27.6	May 2003	Offset printed corrugated cartons
New production plant in Huizhou	105.8	[October 2010]	Corrugated paperboards and cartons with/without flexo printing and moulded pulps

Note: The First Production Plant is owned by the Group. The Second Production Plant is leased by the Group from an Independent Third Party for a 5-year term up to May 2013 as agreed on an arm's length basis. The Group is entitled to first right of renewal under equal condition to be exercised by it before expiry of such lease. The Third Production Plant which is leased by the Processing Partner from an Independent Third Party for a 5-year term up to May 2013 as agreed on an arm's length basis, has been used as a production base to manufacture the Group's products under the Processing Arrangement. The Processing Partner is entitled to first right of renewal under equal condition to be exercised by it before expiry of such lease. The PRC Legal Advisers confirm that both the Group and the lessor of the Second Production Plant and the Third Production Plant have obtained valid title documents of the respective production plants, and the leases have been duly registered with the relevant PRC authorities and are legal, valid and enforceable.

During the Group's peak season for production from June to November, utilisation rate of most of the Group's production facilities in the First Production Plant and the Second Production Plant can reach around 70%. As advised by the Directors, the low utilization rate of corrugated carton production line in the Third Production Plant for the financial year 2007 was mainly due to the increase in the production capacity of the Third Production Plant resulting from addition of three high speed printing presses which came into operation in the financial year 2007. Moreover, the unaudited sales in the second half of the year ended 31 March 2008 increased by 10.3% compared to corresponding period in the year ended 31 March 2007 as the customers have adjusted themselves to the sharp increase in raw paper price in the second half of the financial year 2008. In response to the sharp increase in raw paper price in the financial year 2008, the Group increased the price of its products, resulting in a decrease in customers' orders in the first half of the financial year 2008 as compared with that in the first half of the financial year 2007. Slight decrease in customers' orders continued for the six months ended 30 September 2008 as both customers and the Group were more cautious of [●] and accepting orders under the current global economic crisis. The following table sets forth details of the production lines, maximum designed production capacity, actual production volume and the average utilisation rate of the respective production capacity of the Three Production Plants# during the Track Record Period:

Production lines	Maximum designed production capacity as at the Latest Practicable Date	Remaining useful life of machinery (years) *(Note 3)*		Year ended 31 March 2006	2007	2008	Six months ended 30 September 2008
First Production Plant							
One 2.5m corrugated paperboards production line	18,000 sq.m./hour	3.5	Corrugated paperboard				
			– designed production capacity (million sq.m.) *(Note 1)*	107	107	107	54
			– actual production (million sq.m.)	84	90	79	42
			– utilisation rate	79%	84%	74%	78%
Five corrugated cartons production lines with flexo printers	7,000 pieces/hour	0-8.5	Corrugated carton				
			– designed production capacity (million pieces) *(Note 2)*	42	42	42	[21]
			– actual production (million pieces)	34	40	34	18
			– utilisation rate	81%	95%	81%	[86%]
Second Production Plant							
One 2.5m corrugated paperboards production line	18,000 sq.m./hour	1.5	Corrugated paperboard				
			– designed production capacity (million sq.m.) *(Note 1)*	177	177	177	89
One 1.8m corrugated paperboards production line	12,000 sq.m./hour	3.5	– actual production (million sq.m.)	127	146	130	59
			– utilisation rate	72%	82%	73%	66%
Six corrugated cartons production lines including one six-colour flexo printer, four four-colour flexo printers and one two-colour flexo printer	12,500 pieces/hour	1.5-8.5	Corrugated carton				
			– designed production capacity (million pieces) *(Note 2)*	65	76	76	[38]
			– actual production (million pieces)	50	58	38	15
			– utilisation rate	77%	76%	50%	[39]%
Third Production Plant							
Six corrugated cartons production lines with offset printing presses, including one six-colour, three five-colour and two two-colour printing presses	22,000 pieces/hour	4.5-8.5	Corrugated carton				
			– designed production capacity (million pieces) *(Note 2)*	74	131	132	66
			– actual production (million pieces)	47	57	54	26
			– utilisation rate	64%	44%	41%	39%

The production of ancillary products such as folded cards, instruction leaflets, paper-made pallets and display racks share the production facilities of corrugated paperboards or corrugated cartons when orders are received. Hence, there is no information relating to production facilities of the ancillary products such as production capacity, actual production volume and utilisation rate.

Notes:

1. The designed production capacity represents the annual capacity of a production facility, which is calculated by multiplying the estimated number of days in a calendar year/six-month period that such production facility is in operation (which in the Group's case are 300 days and 150 days), taking into account downtime for regular maintenance, change of corrugators and other reasons arising from normal course of production, by the amount equal to the production facility's average speed per minute and the average paper width used in production.

2. The production process of corrugated carton involves more than one machinery and manual process. Hence, the annual designed production capacity is calculated by discounting the highest monthly production unit recorded during the year by the average downtime rate and average spoilage rate and then times 12 months/6 months.

3. The remaining useful life of principal machinery is based on the depreciation accounting policy adopted by the Group, and the Directors considered that all the principal machinery in above table are in good condition.

Production of corrugated paperboards and paper-based packaging products is capital intensive. During the Track Record Period, the Group purchased plant and machinery for a total amount of approximately HK$[36.3] million, which included mainly flexo printers and offset printing presses mainly from Germany and the PRC. A new flexo-printing machine, of which the printing is considered to be compared favourably with that of offset-printing at lower cost, was acquired by the Group and commenced commercial production in March 2008. The new machine can operate at an optimal speed of 9,000 pieces of corrugated paperboard per hour.

The Group had a team of about [17] service technicians as at the Latest Practicable Date to maintain and repair its machinery and equipment which have an average life cycle of approximately 10 years. The Group also procures maintenance and inspection services from suppliers of its key machinery and equipment in order to ensure proper operation of those machinery and equipment.

The Processing Arrangement

In order to response promptly to the then increasing demand, the Group has commenced manufacturing of offset printed products through the Processing Partner at the Third Production Plant since May 2003 under the Processing Agreement in order to save time for recruiting labour and acquiring plant. In addition, according to relevant tax regulations in Hong Kong, 50% of the profits generated by Wah Ming under this mode of manufacturing operations are treated as offshore and not taxable in Hong Kong. Principal terms of the Processing Agreement are set out below:

1. *Parties involved# and primary responsibilities*

Wah Ming	:	Wah Ming International Limited, an indirect wholly-owned subsidiary of the Company
The PRC Party	:	Shenzhen Fu Cheng Industry Company Limited (深圳市寶安富城實業有限公司), an Independent Third Party
The Processing Partner	:	Hua Yi Printing Factory (華藝印刷廠), [an Independent Third Party]
The Business Agent	:	Shenzhen Baoan Hong Bin Industry Company Limited (深圳寶安鴻彬實業有限公司), an Independent Third Party

The Directors confirm that, apart from the Processing Arrangement, the Group, the Shareholders, the Directors and their respective associates have no past or present business relationship with the PRC Party, the Processing Partner, the Business Agent and their shareholders and directors and their respective associates. As confirmed by the PRC Party, the Processing Partner and the Business Agent, they have no other business relationship with each other apart from the Processing Arrangement.

Under the Processing Agreement, during the period from January 2003 to September 2012, the PRC Party is responsible for forming the Processing Partner, in particular, (i) providing the factory premises, that is the Third Production Plant, which are equipped with water and electricity supply facilities; (ii) providing management, accounting and production labour to manage the daily operation and accounting of the Third Production Plant; and (iii) assisting the import and export procedures. Wah Ming is responsible for (i) providing raw materials, plant and machinery for production; (ii) providing staff training and supervising the management and production process; and (iii) paying a processing fee to cover the labour, rental and utility costs and also reimbursing other costs to the Processing Partner. The Business Agent is responsible for handling procedures for the import of production materials and export of finished goods, and handling settlement of processing fee.

The Processing Partner is formed under the Processing Arrangement for the manufacturing of products of Wah Ming and its operation is managed and controlled by the Group in both the operational and financial aspects. The Group has taken up all the assets and liabilities of the Processing Partner and all the income and expenses incurred by the Processing Partner during the Track Record Period.

2. *Processing fee*

A processing fee is payable by the Group monthly under the Processing Agreement, which is calculated principally based on labour, rental and utility cost incurred by the Processing Partner. The processing fee will be paid to the Business Agent for deduction of a management fee, which is a general fee charged by the PRC government authority from processing factories in Baoan, Shenzhen, and a business agency fee charged by the Business Agent, and the remaining balance will be transferred to the Processing Partner. The Group also reimburses the Processing Partner all other costs incurred for the Processing Arrangement. During the Track Record Period, other costs reimbursed by the Group to the Processing Partner mainly included printing, testing charges, salaries and allowances, entertainment, traveling expenses, social security contributions, consultation fees, staff messing and welfare and other miscellaneous administrative expenses.

For the three years ended 31 March 2008 and the six months ended 30 September 2008, the processing fee and reimbursement was approximately HK$16.4 million, HK$22.6 million, HK$21.2 million and HK$11.0 million respectively, which was mainly composed of rental payment of approximately HK$3.4 million, HK$3.6 million, HK$4.0 million and HK$2.1 million, labour cost of approximately HK$7.1 million, HK$8.9 million, HK$9.0 million and HK$4.5 million, and utility expenses of approximately HK$2.1 million, HK$2.5 million, HK$2.4 million and HK$1.5 million respectively.

For the three years ended 31 March 2008 and the six months ended 30 September 2008, the management fee was approximately HK$153,000, HK$217,000, HK$358,000 and HK$207,000 respectively, which was calculated based on a fixed portion of the monthly processing fee multiplied by a fixed rate of approximately 17% charged by the PRC government authority. For the three years ended 31 March 2008 and the six months ended 30 September 2008, the business agency fee paid to the Business Agent was approximately HK$40,000, HK$59,000, HK$84,000 and HK$49,000 respectively, which was calculated based on the monthly processing fee multiplied by a fixed rate of approximately 3% as required under relevant PRC rules and regulations.

3. *Fixed assets:*

As at 30 September 2008, the Group has provided fixed assets including plant and equipment amounting to an aggregate net book value of approximately HK$42.8 million to the Processing Partner to carry out production under the Processing Arrangement. Those fixed assets are owned by the Group.

4. *Details of the production premises:*

The Processing Partner has leased the Third Production Plant as the factory premises under the Processing Agreement up to 19 May 2013 with a monthly rental of approximately RMB319,000. The Third Production Plant is located at Keng WeiTang San Lu, Shajing Town, Baoan District, Shenzhen (深圳寶安區沙井鎮坑尾塘三路) and comprises industrial buildings with a total gross floor area of approximately 27,621 sq.m. As advised by the PRC Legal Advisers, the lessor of the Third Production Plant possesses all the legal title documents of the land and buildings of the Third Production Plant. And the lease of the Third Production Plant has been duly registered with relevant PRC authorities and is legal, valid and enforceable. To the best knowledge of the Directors, the lessor of the Third Production Plant is not related to the Group, the Processing Partner, the Business Agent and their respective shareholders, directors and their respective associates.

5. *Number of labour:*

The following is a breakdown of the labour of the Processing Partner by functions as at the Latest Practicable Date.

Management	[2]
Finance and administration	[36]
Production	[303]
Quality control	[29]
Logistics	[40]
	[410]

As confirmed by the Directors and further advised by the PRC Legal Advisers, the Processing Partner has direct contractual relationship with all the labours of the Processing Partner, and the social security payment of those labours is borne by the Group. As further confirmed by the PRC Legal Advisers, the Processing Partner has the capacity to enter into the employment contracts with the labour of the Processing Partner. Those employment contracts entered into between the Processing Partner and its labour are legal, valid and enforceable under the relevant PRC laws and regulations, and the terms and legal protection offered under which comply with the relevant PRC labour laws and regulations.

6. *Management and operation of the plant:*

The PRC Party is responsible for providing management, accounting and production labour as staff of the Processing Partner to manage the daily operation of the Third Production Plant under the labour employment guidelines of the Group pursuant to the Processing Agreement. The Group has dedicated a team of 3 management staff to station at the Third Production Plant to supervise the management and operation of the plant and provide technical guidance and conduct quality inspection at different production stages.

7. *Arrangement on termination of the Processing Agreement:*

Early termination of the Processing Agreement or extension of it before/upon the expiry of term can be made by providing a three-month notice to the other party.

Upon termination of the Processing Agreement, all the assets, in particular, machinery in the production lines and stock will be returned to Wah Ming. All the liabilities incurred under the Processing Arrangement will be borne by the Group.

The Directors consider that early termination or non-renewal of the Processing Agreement such that the Group will not be able to use the Third Production Plant will not have a material adverse impact on the Group's operation. The Second Production Plant is located adjacent to the Third Production Plant and has enough space to accommodate all existing production lines of the Third Production Plant. Hence, the production lines can be relocated from the Third Production Plant to the Second Production Plant on a timely basis so as to minimize any disruption to the Group's production schedule due to the relocation.

8. *Revenue contribution of the Processing Arrangement:*

For the three years ended 31 March 2008 and the six months ended 30 September 2008, the revenue generated by the products manufactured under the Processing Arrangement amounted to approximately HK$96.9 million, HK$109.4 million, HK$112.8 million and HK$68.1 million, representing approximately 16.9%, 17.0%, 16.9% and 17.4% of the Group's total turnover respectively.

9. *PRC legal opinion:*

According to the PRC Legal Advisers, the Processing Arrangement is valid, subsisting and enforceable under the PRC law and the Group (through Wah Ming) is entitled to continue its production under the Processing Arrangement in the form and manner as currently undertaken by it.

As advised by the PRC Legal Advisers, under the Processing Arrangement, the Processing Partner is responsible for any claims or liabilities with regard to work safety, environmental protection and labour related issues of it or any other reasons under the applicable PRC laws and regulations. In light of the management and supervisory roles assumed by the Group in relation to the overall operation of the Processing Partner, the Group may also in practice be held liable in respect of the aforesaid claims or liabilities jointly with the Processing Partner. The Processing Partner will be held liable for and the Group may also in practice be held liable for any claim and liability arising out of negligence of the PRC Party under the Processing Arrangement.

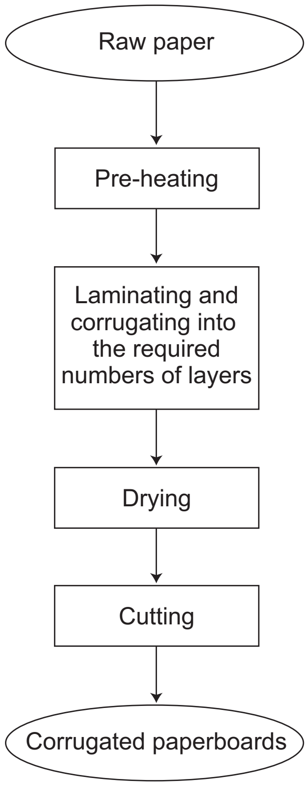
As confirmed by the Directors and the PRC Legal Advisers, they were not aware of any claims which the Group may be held responsible for arising out of negligence of the Processing Partner and the PRC Party under the Processing Agreement as at the [Latest Practicable Date].

The PRC Legal Advisers and the Directors confirm that the Group and the Processing Partner have obtained all necessary licenses, permits or certificates, and have complied with all applicable laws and regulations in respect of the operation under the Processing Arrangement during the Track Record Period, except for the disclosures under the sub-section headed "Insurance" in this section.

Production process

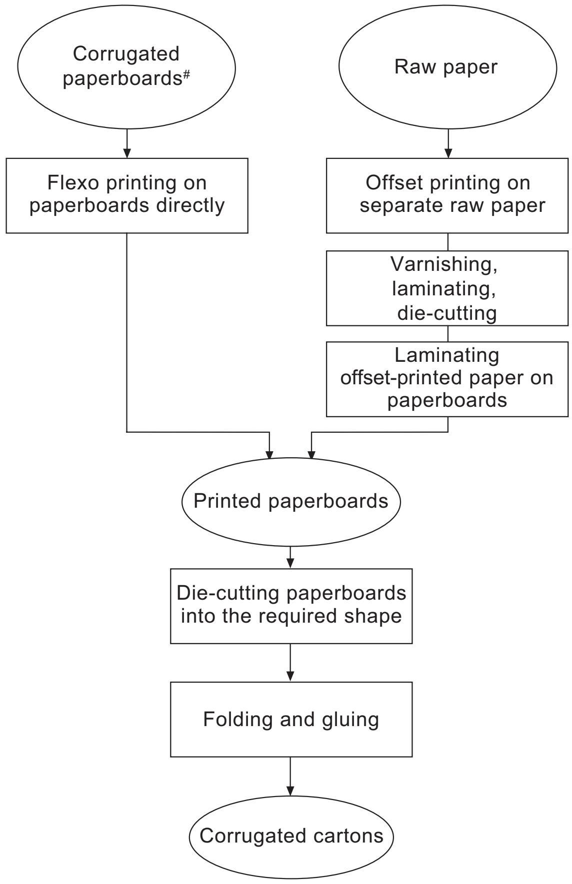
The chart below illustrates the key steps of the production process for corrugated paperboards and cartons:

(i) Corrugated paperboards



The Group sources paper in accordance with specifications from its customers or the Processing Factory on size, texture, colour and thickness. Paper is placed to the Group's fully automated corrugated paperboard production lines for production. The production process for corrugated paperboards involves pre-heating of paper to facilitate lamination of paper, corrugating paper into paperboards with desired numbers of layers, drying and cutting.

(ii) Paper-based packaging products



\# *During the Track Record Period, the corrugated paperboards used in production of corrugated cartons were mainly produced by the Group, representing about 30% to 40% of total volume of paperboards produced, whilst a comparatively small quantity of paperboards were purchased from other corrugated paperboard manufacturers.*

The Group's corrugated carton is basically produced by die-cutting corrugated paperboard into the required shape and then be folded and glued into a container box. According to customers' requirements, the Group uses flexo printing to print on the surface of corrugated paperboard before die-cutting. All the principal production steps, including flexo-printing, die-cutting, folding and gluing are carried out and completed in the Group's automatic production line. Based on the graphic image, artwork or film for offset printing provided by customers, the Group will plan for production, prepare materials, conduct mould setting and offset printing. Offset printed paper will go through the procedures such as varnishing, lamination, die-cutting and will then be laminated onto the corrugated paperboards. Offset printed corrugated paperboards are subsequently die-cutted into the required shape, folded and glued into corrugated cartons.

Other ancillary products such as folded cards, paper-made pallets and display racks are basically produced by die-cutting, folding and gluing the corrugated paperboard into the required shape.

During the Track Record Period, the Group has sub-contracted certain production procedures such as gold stamping which were specifically requested by certain customers. Those sub-contractors were selected principally based on their price, product quality and/or market reputation. The Group has not entered into any long-term agreement with those sub-contractors. The fees payable to sub-contractors were determined by reference to, mainly, the estimated cost and complexity of the sub-contracting work. Products of the sub-contractors were inspected by the Group before they are used in the Group's production process. During the Track Record Period, the Group was granted a credit period of up to 90 days. Sub-contracting cost represented less than 1% of the total costs of sales of the Group for each of the three years ended 31 March 2008 and the six months ended 30 September 2008.

QUALITY ASSURANCE

The Group adopts stringent internal quality control measures to ensure that products can meet the required quality standard and adhere to customers' specifications before delivery. The Group will from time to time invest in machinery and equipment to enhance production efficiency and product quality.

The Group sources quality raw paper for production from selected suppliers principally based on their price, product quality, stability of supply and delivery and market reputation. Every batch of paper delivered to the Group will be tested before use. The Group's engineers will conduct laboratory tests on raw paper on a sample basis to ensure that specific requirements of the Group's customers such as intensity, endurance to external forces, edgewise compression strength, vibration and moisture content are satisfied. Laboratory tests are also conducted on the finished products on a sample basis to ensure that they are in line with customers' specifications. To capture orders from certain customers of which the products are exported to European countries and thus have to be RoHS compliance, the Group has installed a RoHS analyzer to apply RoHS compliance testing on its packaging products. In addition, the Group performs quality inspection on the products of sub-contractors.

The Group has been accredited with the internationally recognised ISO 9001 certification and ISO 14001 certification. The Processing Partner has been accredited with the internationally recognised ISO 9001 certification as well.

ISO 9001 is a set of standards and guidelines relating to quality management systems, and represents an international consensus on good quality management practices. ISO 14001 is a set of standards and guidelines relating to environmental management systems. ISO 9001 and ISO 14001 are maintained by the International Organization for Standardization, or ISO, and are administered by accreditation and certification bodies. The certification of the Group and the Processing Partner to ISO 9001 standard certifies that consistent business processes are being applied, and provides an objective standard against which third parties can assess the quality of the Group's management and products. The certification of the Group to ISO 14001 standard certifies that systematic approach is set up to control the environmental impact of the Group's production and improve its environmental performance continuously.

The Directors believe that the Group has maintained a good reputation for product quality among its customers and taken continuous effort to be an environmental responsible organization.

For each of the three years ended 31 March 2008 and the six months ended 30 September 2008, sales returns of the Group amounted to around 0.1% of the total turnover of the Group.

PROCUREMENT

The principal raw material required by the Group to produce corrugated paperboard and paper-based packaging products is raw paper, including kraftlinerboard and corrugated medium which form the inner, outer and fluting layer of a corrugated paperboard. The Group purchases raw paper of different weights, colours and strength according to the specifications of its customers. Cost of raw paper purchased by the Group accounted for approximately 77.6%, 75.6%, 83.3% and 71.4% of its cost of goods sold for the three years ended 31 March 2008 and the six months ended 30 September 2008 respectively, details of which are set out below. Other raw materials mainly include business paper, ink and adhesives.

The following table sets forth a breakdown of the Group's cost of raw materials purchased by categories during the Track Record Period:

	Year ended 31 March						Six months ended 30 September	
	2006		2007		2008		2008	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Kraftlinerboard	189,734	52.4	186,505	47.7	209,227	47.8	102,918	46.1
Corrugated medium	138,139	38.2	161,844	41.4	184,276	42.1	99,991	44.8
White top linerboard	15,340	4.2	21,345	5.4	17,928	4.1	6,440	2.9
Others *(Note)*	18,715	5.2	21,677	5.5	25,884	6.0	14,075	6.2
Total	361,928	100	391,371	100	437,315	100	223,424	100

Note: Others mainly include business paper, ink and adhesives.

[Prices of raw paper are generally subject to fluctuations according to market conditions in the PRC and other regions in the world which affect the supply and demand of raw paper. As shown in the sub-section headed "Price of raw paper" in the section headed "Industry and Regulatory Overview" in this document, the price of raw paper has been rising since 2006 and began to drop since [June] 2008. The Group recorded a moderate and substantial price increase in raw paper in general for the financial year 2007 and 2008 respectively, and a substantial drop in the price of raw paper since [June] 2008. To the best knowledge of the Directors, such surge in international and domestic raw paper price for the financial year 2007 and 2008 was mainly due to the high economic growth in the PRC which induced the demand of raw paper and surge in price of raw materials for producing raw paper such as scrap and pulp. There was decrease in short-term domestic supply of raw paper as some small paper manufacturers in the PRC phased out or being merged or acquired as their development was restricted by the State's policy under the China's 11th Five-Year Plan pursuant to which scale and environment has been laid down as a major direction for the development of paper manufacturing industry in the PRC during the five-year period from 2006 to 2010.] Due to the recent economic crisis, there was a decrease in global demand for raw paper, resulting in a drop of international and domestic price of raw paper since [June] 2008.

[To the best knowledge of the Directors, the Group is one of the largest customers of the Lee Man Group and the Nine Dragons Group], which are leading paper mills in the PRC and the shares of each of their holding company are listed on the Main Board. During the Track Record Period, the Group has sourced raw materials from a total of over 400 PRC and overseas suppliers. The Group's top five suppliers during the Track Record Period were raw paper suppliers, some of which have established approximately five to ten years business relationship with the Group, among which were Nine Dragons Group and Lee & Man Group. The Group has entered into bi-monthly or quarterly purchase agreements with certain major suppliers and thus is able to stabilise the pricing and supply of raw paper. The Group also makes bulk purchases for discount and selects suppliers which offer competitive price, in particular, paper mills in the PRC in light of improvement in the quality of their raw paper in general and their stability of delivery due to geographical proximity as compared to the overseas suppliers. In addition, the Group may consider adjusting the selling prices of its products if there is significant increase in the selling prices of raw paper. Procurement of raw materials, raw paper particularly, is planned on a monthly basis by the purchasing department of the Group by reference to the inventory of raw materials and production requirement in the coming month and the volume of procurement during the corresponding period in the preceding years. While the stock of raw paper kept by the Group are generally adequate to meet one month's demand for production, fewer stock are kept in light of the decreasing trend of raw paper price since [June] 2008. The Group has incorporated Chance Bright in Macau as a procurement arm directed by [3-person] Chance Bright's management and operated by local Macau staff. Chance Bright targets on non-Macau customers and transactions are denominated in non-Macau currency. According to the Decree-Law of Macau, Chance Bright is exempted from Macau complementary tax (profits tax), Macau industrial tax and Macau stamp duty levies relating to offshore business.

During the Track Record Period, the Group's purchases were denominated in HK$, RMB and US$ respectively. For the three years ended 31 March 2008 and the six months ended 30 September 2008, purchases from the Group's top five suppliers accounted for about 64.4%, 67.7%, 76.5% and 66.7% respectively of the Group's total cost of goods sold. Purchases from the largest supplier of the Group accounted for about 40.9%, 44.7%, 42.4% and 35.8% respectively of the Group's total cost of goods sold during the same period. Purchases are mainly settled by open accounts with credit period ranging from 15 to 90 days after end of the month in which the relevant purchases occurred.

The Group performs quarterly full stock takes for all inventories. Impairment will be charged for any obsolete or damaged inventories identified during the stock takes.

The Group principally produces single-wall and double-wall corrugated paperboards. The Group is also capable of producing multiple-wall corrugated paperboards. However, due to the reason of economies of scale, the Group purchases multiple-wall corrugated paperboards from other corrugated paperboard manufacturers for the production of corrugated cartons. Such purchases amounted to approximately HK$0.9 million, HK$0.6 million, nil and nil, representing approximately 0.2%, 0.1%, nil and nil of the Group's cost of goods sold respectively for the three years ended 31 March 2008 and the six months ended 30 September 2008.

SALES AND MARKETING

Customers

The Group manufactures and sells corrugated paperboards and paper-based packaging products, major customers of which are manufacturers of corrugated cartons and consumer products in various industries such as electronic appliance, food and beverage, garment, furniture, toy, medicine as well as audio and video products.

The Group has established long term business relationship of approximately [three to sixteen] years with its major customers, particularly consumer products manufacturers of renowned brands such as Jinlongyu (金龍魚) in food and beverage industry and Philips (飛利浦) in audio and video products industry, and/or their manufacturing arm or OEM although no long-term agreement has been entered into between them.

During the Track Record Period, all the Group's sales were conducted on the basis of receipt of purchase orders. To facilitate the planning of material procurement and production schedule of the Group, the sales and marketing team has maintained close communication with its major customers on their purchase forecasts and preliminary quotations of the Group. With a long history and experience in the industry, the Group has established its market reputation in terms of product quality, reliability of delivery and after-sales service. During the Track Record Period, immaterial amount of sales return was recorded.

For the three years ended 31 March 2008 and the six months ended 30 September 2008, sales to the Group's five largest customers represented approximately 20.3%, 21.0%, 21.7% and 22.7% of the Group's total turnover respectively. During the same period, sales to the Group's largest customer represented approximately 5.4%, 9.1%, 7.6% and 5.7% of the Group's total turnover respectively.

None of the Directors, their respective associates or shareholders who will own more than 5% of the issued share capital of the Company, so far as the Directors are aware, immediately following the completion of the [●] and the [●] Issue has any material interest in any of the Group's five largest customers during the Track Record Period.

Sales of the Group can also be classified into three categories based on the delivery destination and the end market of respective customers, namely, domestic delivery export, domestic sales and direct export. The table below sets out the turnover breakdown by the aforesaid types during the Track Record Period:

	Year ended 31 March						Six months ended 30 September	
	2006		2007		2008		2008	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Domestic delivery export	471,427	82.0	494,676	76.9	450,702	67.7	246,427	62.8
Domestic sales	101,209	17.6	145,472	22.6	212,795	32.0	136,046	34.7
Direct export	2,235	0.4	3,050	0.5	2,170	0.3	9,710	2.5
Total	574,871	100.0	643,198	100.0	665,667	100.0	392,183	100.0

Domestic delivery export refers to the sale in which the Group's products undergone customs clearance process for export approval applied by the Group through a licensed agent and then be delivered directly from the Group's plants to the production base in the PRC of those customers, instead of being physically shipped out of the PRC. Domestic sales refers to the sale in which the Group's products are delivered directly to a designated location in the PRC without the need to undergo any customs clearance process for export approval. Direct export refers to the sale in which products are physically shipped out of the PRC directly from the plants of the Group. During the Track Record Period, sales of corrugated paperboard and paper-based packaging products to consumer products manufacturers, their manufacturing arm and/or OEM have contributed to each of domestic sales, domestic delivery export and direct export of the Group, while sales of substandard paperboards and scraps to corrugated cartons manufacturers, paper mills or scrap dealer in the PRC has contributed mainly to domestic sales and domestic delivery export of the Group.

As shown in the table above, domestic delivery export and domestic sales contributed to over 97% in aggregate of the total turnover during the Track Record Period. Domestic sales recorded continuing increase which accounted for approximately 17.6%, 22.6%, 32.0% and 34.7% of the Group's total turnover for the three years ended 31 March 2008 and the six months ended 30 September 2008. The Group successfully captured the domestic market which experienced an increase in demand for domestic products in the PRC.

The Group generally recorded a slightly higher turnover in the second half of a year, particularly from June to November, as compared to that in the first half of a year, due to the larger demand for paper-based packaging products in the few months before Christmas and Chinese Lunar New Year in general. To minimize the impact of seasonal factor, the Group has enhanced its focus on domestic sales, in particular, manufacturers of which the amount of purchase orders are relatively even throughout a year.

Sales and marketing team

As at the Latest Practicable Date, the Group's sales and marketing team was composed of [26] staff in the PRC and [5] staff in Hong Kong, targeting at the sales in the PRC and overseas market respectively. Sales and marketing function in Macau is directed by [3-person] Come Sure Macau's management and operated by local Macau staff. The team contacts existing and potential customers to explore new business opportunities, handles enquiries and orders from customers, coordinates with the Group's manufacturing department on product requirements and delivery, and provides after-sales services such as handling enquiries on quality of products. In early 2008, the Group has established a new sales team to further explore the paper-based packaging products market in Hong Kong. The team commenced to contribute revenue to the Group in April 2008. The Group has incorporated Come Sure Macau in Macau as a trading arm. Come Sure Macau targets on non-Macau customers and transactions are denominated in non-Macau currency. According to the Decree-Law of Macau, Come Sure Macau is exempted from Macau complementary tax (profits tax), Macau industrial tax and Macau stamp duty levies relating to offshore business.

In addition to the sales and marketing staff, the Group has engaged [4] sales agents in the PRC with contractual relationship so as to expand the Group's sales network and customer base. The sales agents are Independent Third Parties. The sales agents are mainly responsible for building business relationship between the Group and the customers, handling purchase orders from the customers, following up delivery of products and settlement of bills, and are remunerated based on their performance with reference principally to their revenue contribution to the Group and their customer base. The remuneration represents certain percentages as agreed between the Group and the respective sales agents from time to time of the selling price of the Group's products, and is payable after the Group has received payments from the relevant customers. No minimum fee is payable to the sales agents by the Group. For the three years ended 31 March 2008 and the six months ended 30 September 2008, revenue contributed by these sales agents amounted to approximately HK$12.7 million, HK$22.8 million, HK$29.5 million and HK$32.6 million, which represented approximately 2.2%, 3.5%, 4.4% and 8.3% of the Group's turnover respectively, and fee paid to them amounted to approximately HK$1.0 million, HK$1.5 million, HK$0.8 million and HK$0.7 million respectively.

Terms of sales and credit policy

During the Track Record Period, the Group's domestic sales were all denominated in RMB whilst sales from domestic delivery export and direct export were denominated in either HK$ or US$. Sales was normally settled by way of telegraphic transfer remittance or cheque. The Group's credit policies differ for different customers which are principally determined by reference to the trading and payment history of the relevant customers, their business relationship with the Group, and findings in site visit, interview, public information search or investigation would be conducted by the Group on its customers. Generally, the credit period granted by the Group ranged from 15 to 120 days after end of the month in which the relevant sales occurred.

Instead of a general provision policy, the Group adopts a credit control measure. The Group regularly prepares ten-day overdue report of trade receivables and closely monitors its collection status. When trade receivables become overdue, reminders will be sent to the relevant customers. The responsible sales and marketing staff of the Group will contact the respective customers to follow up the collection status. Overdue reports are regularly reviewed and followed up by the responsible staff with the respective customers. Based on the results of discussion with problematic customers and management's experience, the Group will assess if it is necessary to write-off or make provision for bad or doubtful debts and/or to terminate business relationship with those customers with long overdue balances of trade receivables. The Group may reject purchase orders from the respective customer until full settlement of all outstanding invoices. As a prudent measure, the Group makes allowance for bad and doubtful debts based on assessments of the recoverability of the trade receivables, including the current creditworthiness and the past collection history of the respective customer. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates by the management of the Group. When the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and bad and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the respective customers are to be deteriorated, resulting in an impairment of their ability to make payments, additional allowances may be required. For the three years ended 31 March 2008 and the six months ended 30 September 2008, allowance for trade receivables of approximately HK$5.2 million, HK$3.6 million, HK$3.5 million and HK$3.4 million, representing approximately 3.5%, 2.4%, 2.1% and 1.7% of the Group's trade receivables respectively, have been made. During the same period, bad and doubtful debts of approximately nil, HK$2.4 million, HK$1.3 million and HK$0.4 million respectively have been written off. The Group may consider to take legal actions against customers with long outstanding unsettled balance with the Group. No legal action has been taken by the Group during the Track Record Period. The Group considers that it has adopted an effective credit control measure and has not encountered material difficulty in the enforcement of debt collection during the Track Record Period.

Sales and marketing strategies

During the Track Record Period, the Group also had the following marketing activities:

(i)	Advertisement:	The Group placed advertisements in industry publications such as periodic journals issued by HKCPMA and on trucks.
(ii)	Website and search engines:	The Group maintained a website and acquire service from a search engine on the internet, to promote the Group and its products.
(iii)	Customer visits:	The Group's sales and marketing team maintained visits to customers to collect feedback on the Group's products as well as information on market demand and trends of packaging products.

As a sales and marketing strategy for the corrugated carton business, the Group will, from time to time, approach international conglomerates of consumer products directly for new businesses by means of providing packaging solutions to them, in particular, the structural design of corrugated carton. Based on the Group’s experience, if the international conglomerates of consumer products adopt the structural design of corrugated carton provided by the Group, they will request their manufacturing arms or OEM located in the PRC to use and purchase corrugated cartons of such design from the Group. The Directors consider that this strategy can create stronger bonding and better relationship between the Group and such international conglomerates and expand the Group’s customer base as a result.

Pricing

The Group takes into account a number of factors in determining the pricing of its products which mainly include the cost estimated to be incurred by the Group (such as cost of raw materials, labour, distribution and overheads), target profits, prevailing market price, customers’ creditworthiness and relationship with the customers. The senior management normally review their pricing on a monthly basis so as to provide preliminary quotation to its major customers based on their latest purchase forecasts. All the quotations have to be approved by at least one Director. The price of raw paper has been on a rising track from 2006 to early 2008 and has been turned around since [June] 2008. However, the Directors consider that the Group’s gross profit margins have not been adversely affected by the fluctuations in the price of raw paper since the Group has been able to adjust the selling price of its products to mitigate the cost.

PRODUCT DESIGN AND DEVELOPMENT

The Group places strong emphasis on product design and development. Packaging is widely used to protect the packaged content from damage during transportation and storage or for marketing purpose. Effectiveness of these functions are to a large extent determined by the structural design of the corrugated carton as well as the selection of corrugated paperboard, whilst all these factors vary in accordance with the particular properties of the package content and customers’ specifications. Hence, the Group advises its customers on, or provides them, design of packaging products as a value-added service and sales and marketing strategy, details of which are set out in the subsections headed “Products” and “Sales and Marketing” under this section. Such product design and development activities are mainly conducted by the Group’s product design and development team at its research and development center and two laboratories in Shenzhen. Achievement of the Group was recognised and awarded “New Products, New Technologies, New Development Award” (新產品、新技術、新工藝開發獎) and “Innovative Enterprise Award” (企業創新獎) by Shenzhen Packaging Profession Association (深圳市包裝行業協會) in November 2007. In 2007, the Group was presented “Silver award in the 2007 Excellence in Corrugated Post Print” (杜邦瓦楞紙箱印刷精品賽) in 80LPI or above category and “Gold Award in Offset-Flexo Conversion” (最佳膠印轉柔印獎). As the cost of machinery and computer program, which were used for product design and development, purchased by the Group was accounted for as plant and machinery under property, plant and equipment in its financial statements rather than expensing it in its income statements, immaterial amount of product design and development expenses was incurred by the Group during the Track Record Period. As at the Latest Practicable Date, the Group has a team of [17] staff engaging in product design and development.

INTELLECTUAL PROPERTY RIGHTS

The Group has registered trademark of "logo", "COME SURE" and "錦勝" in the PRC and/or Hong Kong as at the Latest Practicable Date. Please refer to the paragraph headed "Intellectual property rights" in Appendix VI to this document for details of registration.

LICENCES AND PERMITS

Each of Come Sure Shenzhen and the Processing Partner has obtained the printing operation permit (印刷經營許可証), the prerequisite of operating printing business in the PRC, in August 2002 and December 2002 respectively. The PRC Legal Advisers and the Directors confirm that the Group has obtained all licences, permits or certificates necessary to carry out its business. They further confirm that the Group has complied with the relevant PRC rules and regulations in conducting its business during the Track Record Period and as at the [Latest Practicable Date], details of which are set out under the section headed "Industry and Regulatory Overview".

INSURANCE

Hong Kong

Under the Employees' Compensation Ordinance (Cap. 282, Laws of Hong Kong), an employer is required to take out an insurance policy to cover his employees (including full-time and part-time) who are injured or die in the accidents out of and in the course of employment. The Group has maintained an insurance policy in relation to its staff employed in Hong Kong in accordance with the above statutory requirement.

The Group has also maintained employees' compensation insurance and is covered by property and vehicle insurances.

The PRC

In accordance with relevant regulatory requirements of the PRC, inter alia, Interim Regulation Concerning the Levy of Social Insurance (《社會保險費徵繳暫行條例》), Regulation on Pension for Employees in the Shenzhen Special Economic Zone (《深圳經濟特區企業員工社會養老保險條例》), Measures Concerning Social Medical Insurance in Shenzhen (《深圳市社會醫療保險辦法》), Regulation on Industrial Injury Insurance (《工傷保險條例》), Regulation on Industrial Injury Insurance for the Guangdong Province (《廣東省工傷保險條例》), and the Interim Regulation on Social Insurance in Shenzhen (《深圳市社會保險暫行規定》), the Group has made social security contribution which covers retirement, industrial injury and medical expenses for its PRC employees. The Group maintains insurance policies in respect of its buildings, machinery, equipment, inventory and other facilities owned by the Group covering physical loss or damage arising from natural hazards or accidents in relation to its operation in the PRC. At present, the Group does not maintain any public liability insurance or any product liability insurance, which is in line with market practice in the PRC.

Social security contribution

The Directors and the PRC Legal Advisers advise that, pursuant to the Processing Agreement and relevant PRC rules and regulations, Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner are responsible for the payment of social security contribution covering retirement insurance, industrial injury insurance and medical insurance of their staff respectively, while such costs incurred by the Processing Partner is subsequently reimbursed by the Group. During the Track Record Period, the Group has made full contribution to medical insurance in accordance with the local regulations of the PRC but not retirement insurance and industrial injury insurance. The Directors advise that the operation of the Group in the PRC had high labour turnover rate of mainly unskilled labour, which is common in manufacturing plants in Shenzhen, and the Group recorded different amount of monthly salary payments due to computation of miscellaneous allowances entitlement on individual and monthly basis. These created administrative difficulties on Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner to remit full social security contribution as set forth by the relevant laws. Hence, the social security contribution made by them was calculated based on the minimum wages imposed in Shenzhen by the relevant PRC rules and regulations rather than the actual wages of the employees. The Directors confirm that the Group has not encountered any difficulty in recruiting new labour as replacement during the Track Record Period.

(a) Retirement insurance

According to the Provisional Rules on Social Welfare Collection and Contribution (《社會保險費徵繳暫行條例》), Regulation on Pension for Employees in the Shenzhen Special Economic Zone (《深圳經濟特區企業員工社會養老保險條例》), if enterprises do not make full contribution of retirement insurance, the relevant PRC authority may issue a reminder for payment of social Insurance (社會保險費催繳通知書) and a directive of limitation for remediation (限期改正指令書) to such enterprises ("Reminder"). If such enterprises fail to settle the underpaid contribution within the required period, they would be subject to a 0.2% per day overdue surcharge in addition to the underpaid contribution. The enterprises may be subject to a maximum penalty of RMB50,000 and the management and other persons with direct responsibilities of such enterprises may be subject to a penalty ranging from RMB10,000 to RMB30,000. As at the [Latest Practicable Date], the Group has not received any Reminder. As confirmed by the PRC Legal Advisers, no penalty will be imposed on the Group provided that if it receives a Reminder and settles the underpaid contribution within the required period.

(b) Industrial injury insurance

According to the Regulation on Industrial Injury Insurance for the Guangdong Province) (《廣東省工傷保險條例》, if enterprises do not make full contribution of injury insurance, the relevant PRC authority shall order rectification and impose a fine on such enterprises in a range from not less than one time to not more than three times of the amount of the unreported portion of employees' salary within a two-year period pursuant to Law of the PRC on Administrative Punishments (《中華人民共和國行政處罰法》.

As estimated by the management of the Group, the amount of underpaid contribution to injury insurance of the Group was approximately [HK$105,666] ("Basic Amount") from 1 April 2006 to 30 April 2008, and the maximum penalty on the Group based on the fine rate above was approximately HK$317,000. Based on the above, the PRC Legal Advisers concur that the maximum penalty should be three times of the Basic Amount and the method used by the Group to calculate the maximum penalty has fully complied with the relevant PRC laws and regulations.

[As further confirmed by the Directors, no provision in relation to the maximum penalty of the underpaid contribution to industrial injury insurance has been made by the Group as the amount is considered immaterial.] Besides, monetary penalty as to the underpaid contribution, instead of other form of punishment such as imprisonment, will be imposed. [As at the Latest Practicable Date, no penalty has been imposed on Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner.]

[Full provision for the estimated underpaid contribution for the existing staff of Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner as at 31 March 2006, 2007 and 2008 and as at 30 September 2008 of approximately HK$5.1 million, HK$6.5 million, HK$8.3 million and HK$8.9 million respectively has been made by the Group.]

As advised by the PRC Legal Advisers and pursuant to the Law of the PRC on Mediation and Arbitration of Labour Disputes (《中華人民共和國勞動爭議調解仲裁法》) and Regulation on Pension for Employees in the Shenzhen Special Economic Zone (《深圳經濟特區企業員工社會養老保險條例》), the PRC employees of the Group have the right to claim for underpaid social security contribution within one calendar year for industrial injury insurance and two calendar years for retirement insurance from the date on which they know or should know that their rights have been infringed upon. The Directors confirm that neither the Group nor the Processing Partner has experienced any material claim for underpaid social security contribution by existing employees and ex-employees during the Track Record Period. As such, the Directors consider that the possibility of claim by resigned employees against Come Sure Shenzhen, Bright Leader Shenzhen or the Processing Partner is low. As the Group has made full social security contributions for its employees according to the applicable PRC laws and regulations since May 2008, the two-year period of claim mentioned above will end on [30 April] 2010.

Pursuant to the relevant PRC laws and regulations, each of the employer and employee is obliged to make its respective portion of social security contribution. The portion to be made by an employee is supposed to be deducted from the employee's salary and paid to the authority by his/her employer on behalf of such employee. As advised by the PRC Legal Advisers, the relevant PRC laws and regulations has not stated clearly that whether the PRC authority will request the employer to pay for both the employer and employee's portion of underpaid contribution in the future. However, as advised by the Directors, if the PRC authority requests Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner for payment of underpaid portion of both the employer and employee pursuant to a claim from an employee, Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner would likely request the relevant employee for his/her underpaid portion.

The Group is prepared to settle any claims made by its PRC employees or the Shenzhen Social Insurance Bureau in relation to the under-payment of social security contribution by Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner before May 2008 in the future. As confirmed by the Directors, the Group verbally reported such underpayment to the Shenzhen Social Insurance Bureau Shajin Branch (深圳市社會保險基金管理中心沙井管理站) (the "Social Insurance Authority") on 2 June and 8 July 2008. [On 9 September 2008, the senior management of the Group, accompanied and witnessed by the PRC Legal Advisers, had a meeting with the Social Insurance Authority to report on such underpayment and seek for direction of remediation. The representative officer of the Social Insurance Authority indicated that they had no intention to investigate or rectify the underpayment by Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner. Moreover, as confirmed by the Directors, as at the Latest Practicable Date, no action has been taken against Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner.]

Moreover, Mr. Chong has agreed to indemnify the Group for any losses, liabilities or damages suffered in connection with such under-payment of social security contribution incurred prior to the [●] (including any penalty or surcharge in relation to the historical non-compliance) and to the extent that provision has not been made by the Group for such losses, liabilities or damages for the Track Record Period.

As at [31 October 2008], the amount of underpaid social security contribution for resigned employees according to such rules and regulations is estimated by the Directors to be approximately HK$[2.8] million for the two-year claim period from [1 November 2006 to 31 October 2008]. After taking into consideration (i) the two-year period entitled to employees to claim for the underpaid contribution, (ii) the high labour turnover rate, (iii) that most of the resigned employees were not Shenzhen residents, (iv) that no material claim by current employees and resigned employees experienced by the Group or the Processing Partner during the Track Record Period, (v) the personal indemnity given by Mr. Chong and (vi) the full compliance of the Group on the relevant contribution since [May] 2008, [the Directors and the PRC Legal Advisers are of the view that the possibility that resigned employees of the Group would claim against Come Sure Shenzhen, Bright Leader Shenzhen or the Processing Partner for underpaid contribution is low and the possibility that Come Sure Shenzhen, Bright Leader Shenzhen or the Processing Partner would be exposed to further financial risk is low.] Therefore, the Directors consider that it is not necessary for the Group to make provision for the underpaid contribution for resigned employees.

The Reporting Accountants advise that in forming their opinion on the financial information of the Group as a whole for the years ended 31 March 2006, 2007 and 2008 and six months ended 30 September 2008 as set out in the Accountants' Report in Appendix I to this document, they have considered, among all the items of the financial statements, whether there was any material under/over-provision of social security contribution for the Group's PRC subsidiaries. Without performing any separate assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants on the social security contribution, the Reporting Accountants advise that they are not aware of any material under/over-provision of social security contribution for the Group's PRC subsidiaries which would affect their opinion on the financial information as set out in the Accountants' Report.

(c) internal control procedures

The Group has implemented specific internal control procedures below since [May] 2008 to ensure its strict compliance with relevant laws and regulations in respect of social security contribution:

(i) the human resources staff register the new staff on the first employment date of such staff, and to deregister the resigned staff on the day immediately following the last employment date of such staff, with the relevant PRC authority to ensure timely calculation of social security contribution;

(ii) a team of [ten] accounting and human resources staff has been designated to calculate the monthly social security contribution of Come Sure Shenzhen, the Processing Partner and Bright Leader Shenzhen. The accounting and human resources staff calculate the monthly social security contribution based on the actual monthly salary payments of each employee. Such calculation are reviewed by finance managers and human resources managers, and further reviewed and approved by supervisors of the production plants;

(iii) the aforesaid designated staff will review the internal control procedures in relation to the Group's social security contributions annually. Review and evaluation report will be submitted to the Group's management for review and taking improvement measures, if necessary.

[The executive Directors and] all those designated staff have received internal training in relation to the relevant PRC regulatory requirements of social security contribution and the Group's internal guidelines including calculation of social security contribution. With the implementation of the procedures above, the Directors confirm that Come Sure Shenzhen, Bright Leader Shenzhen and the Processing Partner have paid the relevant contribution for all qualifying employees according to the applicable PRC laws and regulations, pursuant to the scope and standards set out by the relevant PRC authorities since [May] 2008. In light of the above, the Directors consider that the administrative difficulties of Come Sure Shenzhen and the Processing Partner have been resolved. The previous under-payment of social security contribution will not have a material adverse effect on the Group's operations and financial position.

Macau

Pursuant to relevant Macau laws and regulations, Macau employers must register their employees under the mandatory social security fund (pursuant to Decree-Law no. 58/93M-Section 3 and 4), make social security contributions for each of its employees (Dispatch no. 45/GM/98) and contract insurance to protect the rights and interests of their employees in the event of working accident and/or professional disease.

The Macau Legal Advisers and the Directors are of the view that the Group has complied with applicable rules and regulations [as at the Latest Practicable Date], taking insurance and registering social security.

The Directors confirm that the Group's insurance policy specifications and insured limits are in line with the normal industry practice in the PRC, Hong Kong and Macau and the existing insurance coverage is adequate for the Group's operation. The Directors confirmed that, during the Track Record Period, the Group had not had any material claim or liabilities arising from any accidents relating to its operations and had not had any major production interruption during the Track Record Period.

SAFETY AND SOCIAL ISSUES

Hong Kong

Under the Occupational Safety and Health Ordinance (Cap. 509, Laws of Hong Kong), an employer should contribute to safety and health in the workplaces by, inter alia, providing and maintaining plant and work systems that do not endanger safety or health, making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances and providing and maintaining a safe and healthy work environment. [As at the Latest Practicable Date, the Group has not been in contravention with the safety and health requirements set out in the above ordinance.]

The PRC

The Group is subject to certain health and safety related laws and regulations in the PRC. Pursuant to the Labour Act of the People's Republic of China (《中華人民共和國勞動法》) promulgated on 5 July 1994, employers are required to establish and improve their labour safety and health care system, to strictly implement the labour safety and health care regulations, to carry out labour safety and health care education among their workers and to prevent accidents during work and reduce occupational hazards. The Group has complied with the Labor Act of the People's Republic of China (《中華人民共和國勞動法》) and other relevant applicable laws and regulations in relation to labour management.

Pursuant to the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) promulgated on 29 June 2002 and effective on 1 November 2002, enterprises operate production activities within the PRC territory are required to observe laws and regulations concerning production safety, strengthen their administration of, establish and improve a system of responsibility for, and improve facility conditions to ensure production safety. In addition to the abovementioned requirements, the Group also provides trainings to its labour in order to reduce/prevent industrial accidents in the future, including training courses relating to safety awareness and operation of production facilities. Furthermore, the Group monitors the operation of the production facilities itself to ensure they are in good condition. The Group is not involved in any material production safety matter as at the Latest Practicable Date.

According to the PRC Legal Advisers, the Group has complied with the relevant laws, rules and regulations in relation to the health and safety matters in the PRC during the Track Record Period.

Macau

As advised by the Macau Legal Advisers, the social security scheme (article 11 of 58/99/m) has also included the rules and regulations in relation to the health and safety matters.

ENVIRONMENTAL PROTECTION

The Directors confirm that the Three Production Plants have complied with the relevant environmental protection regulations as set out in the section headed "Industry and Regulatory Overview" in this document. Since November 2001, Come Sure Shenzhen has been accredited with the internationally recognised ISO14001 certification in respect of the environmental management systems. However, given that there are additional expenses involved in obtaining and maintaining ISO14001 certification, the Processing Partner does not maintain such standards, considering it is neither necessary nor economically justifiable.

Wastages which mainly include scrap paper, waste water and waste air are resulted during the production process of corrugated paperboard or paper-based packaging products. Nevertheless, the Group has carried out the following measures to deal with the wastages and to ensure compliance of relevant regulations by the Three Production Plants:

(a) a team leading by a staff, with approximately [three] years relevant working experience, has attended relevant ISO14001 training courses and has obtained certification as ISO14001 internal auditor to monitor and control the production process and ensure compliance with relevant regulations by the Three Production Plants and ISO requirements by Come Sure Shenzhen;

(b) the substandard paperboards and scraps are either sold to corrugated carton manufacturers, paper mills or scrap dealer. During the Track Record Period, sales of substandard paperboards and scraps accounted for below 3% of the Group's turnover; and

(c) installation of waste water treatment system and waste air filter system at the Three Production Plants to treat or filter the waste water and waste air before discharge.

In addition, the Group has installed advanced automatic corrugated paperboard and carton production lines in order to minimise the production of, and to collect, scrap paper.

As advised by the PRC Legal Advisers, the relevant environmental protection laws and regulations in the PRC impose a gradual scale of fees for the discharge of waste materials and fine for pollution and closure of facility which causes serious environmental problems. For the three years ended 31 March 2008 and six months ended 30 September 2008, fees of approximately RMB0.1 million, RMB0.2 million, RMB0.2 million and RMB0.1 million for the discharge of waste materials was incurred by the Group respectively and, as confirmed by the Directors, no fine on non-compliance of relevant environmental protection regulations was imposed on the Group.

As advised by the PRC Legal Advisers, Come Sure Shenzhen and the Processing Partner have complied with relevant PRC laws and regulations relating to environmental protection in all material respects during the Track Record Period and have obtained all the required permits and environmental approvals for its production facilities.

AWARDS AND RECOGNITIONS

Come Sure Shenzhen has obtained awards and recognitions from various independent organisations for its product quality and market position.

Date	**Organisation granting the awards**	**Awards**
Come Sure Development		
June 2005 (renewed in June 2007)	Ricoh Asia Industry (Shenzhen) Limited	CMS Certificate (Chemical Substances Management System)
Come Sure Shenzhen		
June 2002	Printing Technology Association of China (中國印刷技術協會)	Excellence Award for Printing (印刷精品獎)

Date	Organisation granting the awards	Awards
2003	Printing Manager Annual Conference (印刷經理人年會)	Ranked 29th in the Top Hundred Printing Enterprises in the PRC in 2003 (2003年中國印刷業100強)
February 2004	Printing and Replicating Industrial Association of Guangdong (廣東印刷協會)	Ranked 13th in the Top Hundred Enterprises (Package Printing Type) in Guangdong Province in 2003 (2003年廣東省印刷企業包裝印刷類)
2004	Printing Manager Annual Conference (印刷經理人年會)	Ranked 27th in the Top Hundred Printing Enterprises in the PRC in 2004 (2004年中國印刷業100強)
March 2005 (renewed in March 2007)	Samsung Electronics (Huizhou) Co., Ltd.	Eco-Partner Certificate (certified for establishment of stable environmental quality control system)
2005	Printing Manager Annual Conference (印刷經理人年會)	Ranked 26th in the Top Hundred Printing Enterprises in the PRC in 2005 (2005年中國印刷業100強)
2006	Printing Manager Annual Conference (印刷經理人年會)	Ranked 27th in the Top Hundred Printing Enterprises in the PRC in 2006 (2006年中國印刷業100強)
November 2007	Shenzhen Packaging Profession Association (深圳市包裝行業協會)	New Products, New Technologies, New Development Award (新產品、新技術、新工藝開發獎)
November 2007	Shenzhen Packaging Profession Association (深圳市包裝行業協會)	Innovative Enterprise Award (企業創新獎)
2007	Printing Manager Annual Conference (印刷經理人年會)	Ranked 25th in the Top Hundred Printing Enterprises in the PRC in 2007 (2007年中國印刷業100強)

Date	Organisation granting the awards	Awards
2007	DuPont Cyrel, Jiu Heng Graphics Co Ltd and the Flexographic Printing Branch of China Printing Technology Association (中國印刷技術協會柔性版印刷分會)	Silver award in the 2007 Excellence in Corrugated Post Print (杜邦瓦楞紙箱印刷精品賽) in 80LPI or above category
2007	DuPont Cyrel, Jiu Heng Graphics Co Ltd and the Flexographic Printing Branch of China Printing Technology Association (中國印刷技術協會柔性版印刷分會)	Gold award in Offset-Flexo Conversion (最佳膠印轉柔印獎)
2008	Printing Manager Annual Conference (印刷經理人年會)	Ranked 29th in the Top Hundred Printing Enterprises in the PRC in 2008 (2008年中國印刷業100強)

These awards demonstrated that Come Sure Shenzhen is one of the sizable and reputable enterprises in the packaging industry, thus enabling the Group to expand its business and market share.

Note: The Printing Technology Association of China (中國印刷技術協會) is an association under the direct supervision of the General Administration of Press and Publication of China (新聞出版總處) in the PRC. The association gives recommendation and consultation on installation of machinery and equipment for government printing factories and publishing houses. It is also engaged in the exchanges of domestic and foreign new technology and new information in the printing industry, technical discussion, training, printing conferences and exhibitions.

The Printing and Replicating Industrial Association of Guangdong (廣東省印刷協會) is an association aims to combine the printing technology with the industrial functions in Guangdong. Its professional committees comprise corporate members and members of technicians in various printing technologies.

The Printing Manager Annual Conference (印刷經理人年會) is conference held annually since year 2002 which serves as a platform for participants in the PRC printing industry to communicate and exchange concepts and ideas. The conference is taken charge by Keyin Print Media (科印傳媒) – "Printing Manager" magazine (印刷經理人). Keyin Print Media is a periodicals publisher which among others, involves in editing, publication, holding trade fairs and conferences relating to the printing industry.

The Shenzhen Packaging Profession Association (深圳市包裝行業協會) is an association responsible for handling, assessing and issuing production permits for enterprises which produce corrugated paperboards and paper boxes. In addition, the association facilitates enterprises in establishing quality management system and obtaining internationally recognised ISO9000 certificates.

DuPont is a company offers a wide range of innovative products and services for markets including agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel.

Jiu Heng Graphics Co., Ltd. is a company engaging in the import of printing and packaging equipment, consumables, and spare parts.

The Flexographic Printing Branch of China Printing Technology Association (中國印刷技術協會柔性版印刷分會) is a non-profit organisation which is composed of scientific research, manufacture, application and education institutions in the flexographic printing industry and experts from science and technology and management field.

COMPETITION

The Group competes primarily in the China market. The corrugated packaging industry in China is competitive, in which the players normally compete on the basis of product quality, product design and development, delivery stability and price. To the best knowledge of the Directors, the major competitors of the Group are mainly located in Guangdong Province, especially, Shenzhen and Dongguan, which are local private companies or foreign-invested companies, and some of which are listed on the Stock Exchange. Markets of those players are fragmented in terms of geographical locations, product types and target customers.

The Directors consider that there are certain entry barriers to the industry in the PRC, among others,

(a) heavy capital investments in technologically advanced machinery for manufacturing of corrugated paperboard and packaging products as well as precision printing of packaging products; and

(b) industry knowledge, experience and skills of the management personnel and technical professionals in product design and development.

The Directors believe that the Group has competitive strengths, in particular, product range, product design and development capacity, stable source of raw paper supply and product quality, speedy delivery, long term and stable business relationship with its customers and suppliers, technologically advanced production lines and flexible mode of sales in form of domestic delivery export or domestic sales, to maintain the competitiveness of the Group in the market.

The Directors confirmed that none of them nor the Controlling Shareholders has any interest in business apart from the Group's business, which competes or is likely to compete, directly or indirectly, with the Group's business.

TRANSACTIONS

Discontinued transactions

(i) Sale of scrap paper by Come Sure Shenzhen to Mr. Chong Yong Shun

During the Track Record Period, Come Sure Shenzhen had generated scrap paper during the production process of corrugated paperboards and paper-based packaging product which cannot be used for the Group's production but can only be recycled by paper manufacturers for the production of raw paper. As such, the Group sold such scrap paper to Mr. Chong Yong Shun, who had been engaged in the trading of scrap paper, at prices determined with reference to the then prevailing market price. The sales proceeds of such scrap paper amounted to approximately HK$3.3 million and HK$3.7 million respectively for the two years ended 31 March 2007.

Save as the aforesaid sale of scrap paper and provision of transportation services by Mr. Chong Yong Shun or his company, Shenzhen Wan Tai Shun Enterprises Development Company Limited (深圳萬泰順實業發展有限公司) ("Wan Tai Shun"), to the Group during the Track Record Period, the Directors confirm that, to their best knowledge, Mr. Chong Yong Shun has not involved in any business that might compete with the Group or that was related to the Group's business as at the Latest Practicable Date.

(ii) Tenancy arrangement between Wholly Rise Limited ("Wholly Rise") as lessor and Come Sure Holdings as lessee

During the Track Record Period, Come Sure Holdings leased from Wholly Rise the following properties:

Location	Lessor	Use	Lease period
Flat A, 18th Floor, Block 8 and Car Port No. LG 203 on Lower Ground Floor Braemar Hill Mansions 15-43 Braemar Hill Road North Point Hong Kong	Wholly Rise	Director's quarters	April 2005 to March 2006
Flat C, 18th Floor, Block 8 and Car Port No. LG 158 on Lower Ground Floor Braemar Hill Mansions 15-43 Braemar Hill Road North Point Hong Kong	Wholly Rise	Director's quarters	April 2005 to March 2006

For the three years ended 31 March 2008 and six months ended 30 September 2008, the total rental paid by Come Sure Holdings to Wholly Rise amounted to HK$600,000, nil, nil and nil respectively.

Grant Sherman Appraisal Limited, the independent property valuer of the Company, considers that the total rentals paid for the lease of the above properties are fair, reasonable and generally at market level.

(iii) Provision of financial assistance to the Group by Mr. Chong and Mr. Chong Wa Pan and their associates

Mr. Chong had provided advances to the Group, which were unsecured, interest-free and had no fixed repayment terms. For the two years ended 31 March 2007, the average balance owed by the Group to Mr. Chong were approximately HK$[33.1] million and HK$[4.1] million respectively. All amounts due to Mr. Chong have been settled by the Group as at the Latest Practicable Date.

Certain Group's banking facilities during the Track Record Period were secured by personal guarantees given by Mr. Chong and Mr. Chong Wa Pan, bank deposits of Mr. Chong and properties owned by Mr. Chong and the related companies, Wholly Rise and Come Sure Trading Limited.

(iv) Acquisition of Century Shiny by the Group from Mr. Chong

On [30] January 2009, Mr. Chong as vendor and Jumbo Match as purchaser entered into a sale and purchase agreement in relation to the entire issued share capital of Century Shiny at a cash consideration of approximately HK$[865,000] and a shareholder's loan in the amount of approximately HK$[28,395,000] at cost. The consideration for the transfer of shares was equivalent to the consideration received from Mr. Chong when the Group disposed of Century Shiny to Mr. Chong in November 2006. Century Shiny is the 100% owner of Come Sure Huizhou, which in turn holds the title of the Huidong Land. [As at the Latest Practicable Date, the above sale and purchase has been completed.]

Tenancy agreement between Wholly Rise and Wah Ming

The following property was leased to Wah Ming from Wholly Rise from 1 April 2005 to 31 March 2006 and from 1 April 2006 to 31 March 2007 under tenancy agreements dated 15 June 2005 and 15 June 2006 respectively. On 1 February 2008, Wholly Rise and Wah Ming entered into a tenancy agreement (which was supplemented by supplementary agreements dated 8 February 2008, 9 February 2008 and 22 December 2008), pursuant to which Wah Ming agreed to lease from Wholly Rise the following property for a term from 1 April 2007 to 31 March 2009, details of which are set out as follows:

Location	**Lessor**	**Use**	**Monthly Rent** *(HK$)*
Unit 10, 8th Floor Cornell Centre 50 Wing Tai Road Chai Wan Hong Kong	Wholly Rise	Office	15,000

For the three years ended 31 March 2008 and the six months ended 30 September 2008, the total rental paid by Wah Ming to Wholly Rise amounted to HK$240,000, HK$240,000, HK$180,000 and HK$90,000 respectively.

Grant Sherman Appraisal Limited, the independent property valuer of the Company, considers that the rental payable or paid under the above tenancy agreement is fair, reasonable and generally at market level.

Provision of transportation services by Mr. Chong Yong Shun and Wan Tai Shun to Come Sure Shenzhen

During the Track Record Period, Mr. Chong Yong Shun, and after Mr. Chong Yong Shun has set up Wan Tai Shun (the principal business activity of which is the provision of transportation services), Wan Tai Shun from time to time provided [non-exclusive] transportation services to Come Sure Shezhen for the delivery of goods for the First Production Plant.

An agreement was entered into by Come Sure Shenzhen and Wan Tai Shun on [●] in relation to the provision of transportation services by Wan Tai Shun to Come Sure Shenzhen commencing from the date of the agreement to [31 March 2011.] The Group selects transportation service providers principally based on service quality and price. Mr. Chong, Mr. Chong Wa Pan, the Purchase Manager of Come Sure Shenzhen, the general managers of the First Production Plant and the Second Production Plant and the Plant Manager of Wah Ming were involved in the selection and decision process. The Directors undertake that in future instances or transactions where any decision maker has a conflict of interest therein, such persons shall abstain from the decision-making process. The Group engages Wan Tai Shun in addition to other independent service providers to provide transportation services after taking into account the quality and pricing of transportation services provided by Wan Tai Shun and with a view to minimising the risk of over-reliance on a few service providers which is in the interest of the Shareholders as a whole. The amount of transportation fees paid during the Track Record Period or to be paid by Come Sure Shenzhen to Mr. Chong Yong Shun, Wan Tai Shun was or will be determined by the parties mainly based on (i) certain specific percentage of invoice value of finished goods and returned goods delivered from and to the First Production Plant (in cases of other independent transportation service providers, the transportation fees are also determined mainly based on certain specific percentage of invoice value of finished goods and returned goods delivered from and to the relevant production plant); and (ii) certain specific fee per cubic metre for goods transported between the First Production Plant and each of the Second Production Plant and the Third Production Plant and goods requiring urgent delivery. Both of the percentage and fees abovementioned will be fixed between the Group and Wan Tai Shun by separate agreement with reference to the then prevailing market price. According to the aforesaid agreement, the terms offered by Wan Tai Shun to Come Sure Shenzhen should be no less favourable than those offered by other Independent Third Parties to Come Sure Shenzhen. As far as the Directors are aware and based on the representation of Wan Tai Shun, the Group is currently the sole customer of Wan Tai Shun.

The transportation fees paid by the Group to Wan Tai Shun and Mr. Chong Yong Shun amounted to approximately HK$4.7 million, HK$6.2 million, HK$6.1 million and HK$3.9 million for the three years ended 31 March 2008 and the six months ended 30 September 2008 respectively, representing approximately 27.5%, 31.8%, 33.9% and 32.0% respectively of the Group's total transportation cost of the respective years.

The Directors expect that the aggregate annual expenditure for the above transactions will be approximately HK$[9] million, HK$[10.5] million and HK$[12] million for the three years ending 31 March 2011 (the "Annual Caps") respectively. These estimated figures are determined with reference to the historical growth of the turnover of the Group, the transportation fees paid by the Group to Wan Tai Shun, Mr. Chong Yong Shun and Independent Third Parties which provided similar services to the Group during the Track Record Period, the prevailing market price and possible price increase of corrugated paper, the economic growth in the PRC which is expected to encourage industrial production growth and corrugated production in the PRC as a result in the next few years and the possible increase in percentage of invoice amount of finished goods charged as transportation fees due to rise in petroleum price. The Directors anticipate that there will be an increasing demand for the Group's products and relevant transportation fees to be paid by the Group to Wan Tai Shun may increase accordingly in the future.