This section should be read in conjunction with the Group's financial information, including the notes thereto, as set forth in "Appendix I — Accountants' Report of the Group" to this document. The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The following discussion and analysis contain forward-looking statements that involve risks and uncertainties, details of which are set out in the section headed "Risk Factors" in this document.

OVERVIEW

The Group is principally engaged in the manufacturing and sale of corrugated paperboards and paper-based packaging products to manufacturers with production base in the PRC for approximately 20 years. Customers of paper-based packaging products including manufacturers of consumer products in various industries such as electronic appliances, garment, furniture, food and beverages, toys, medicine as well as audio and video products. The Group carries out its production at the Three Production Plants located in Shenzhen in the PRC which, as at the Latest Practicable Date, had an aggregate annual production capacity of approximately 284 million sq.m. of corrugated paperboards and approximately 250 million pieces of corrugated cartons.

BASIS OF PRESENTATION

The Reorganisation involved companies under common control of a director of the Company, Mr. Chong. On 30 March 2006, pursuant to the Reorganisation, the Company became the holding company of the Group as the entire interest of the Group's subsidiaries were transferred to the Company by way of swap of shares.

The financial information of the Group as set out in the Accountants' Report in Appendix I to this document is prepared in accordance with the principles and procedures of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Group's consolidated income statements and consolidated cash flow statements for the Track Record Period include the results and cash flows of the combining entities as if the Group structure as at 30 September 2008 had been in existence throughout the Track Record Period or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The consolidated balance sheets of the Group as at 31 March 2006, 2007, 2008 and 30 September 2008 have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at 30 September 2008 had been in existence as at those dates, except that the consolidated balance sheet as at 31 March 2006 has incorporated the balance sheets of Century Shiny and its subsidiary (the "CSI Group"), and China Apex and its subsidiary, subsidiaries of the Group which were disposed of in the year ended 31 March 2007. Certain financial information on the CSI Group is set forth in the CSI Group Accountants' Report in Appendix II to this document.

FACTORS AFFECTING THE RESULTS OF OPERATIONS

The Group's results of operations and financial conditions have been and will continue to be affected by a number of factors, primarily including those set out below:

Demand for the Group's products

The Group's performance is directly linked to the performance of electronic appliances, garment, food and beverages as well as audio and video products industry in which most of the Group's major customers are operating. Any unfavorable change in the economic environment or decline in demand of the Group's products by its major customers, the Group's operations and business will be adversely affected.

Economic and other conditions in areas of operations in the PRC

The Group conducted substantially all of its operations in Guangdong Province and derived substantially all of its revenue from Guangdong Province during the Track Record Period. The future growth and financial performance will depend on the continuing growth of the Chinese economy, particularly the economy of province in which the Group operates. Any economic downturn in the PRC in general or in Guangdong Province in particular may adversely affect the Group's future business and financial performance.

Pricing of raw paper

Raw materials and consumables accounted for approximately 85.1%, 86.2%, 85.9% and 86.8% of the Group's total cost of goods sold for the three years ended 31 March 2008 and the six months ended 30 September 2008. The principal raw material used by the Group is raw paper including kraftlinerboard and corrugated medium which form the outer and medium layer of corrugated paperboard. Prices of raw paper are subject to fluctuations according to market conditions including the number and production capacity of paper mills which affect the supply of raw paper and demand of raw paper affected by the economic growth of the PRC and other regions in the world. Among others, if the economic growth of the PRC continue to be high thereby resulting in significant increase in demand for raw paper as packaging materials for consumer products and the supply of raw paper is unable to catch up with the fast growth of demand, the selling prices of raw paper will experience upward pressure, and vice versa. The Group does not currently employ any commodity risk management strategies or engage in any hedging transactions to minimize the risks relating to fluctuations in the prices of raw materials. If the Group is unable to reflect increase in the price of raw paper in the prices of its products, the operating results will be adversely affected.

Seasonality

The business operation of the Group is seasonal in nature. The Group's peak seasons for production are in the third and fourth quarter, particularly from June to November, due to the higher demand for paper-based packaging products in the few months before Christmas and Chinese Lunar New Year in general. Therefore, the Group's revenue and profit in the second half of a year are usually higher than that in the first half and the Group will continue to experience fluctuations in revenue and profit on an interim basis.

Impact of financial crisis on the Group

The recent financial crisis in the world has adversely affected the U.S. and the world economies. With a deteriorating worldwide economy, demand for, among other things, consumer products may fall, which in turn may affect the demand for the Group's corrugated paperboards and paper-based packaging products. In addition, in amid of the credit tightening environment, banks may vary the terms of bank loans or the banking facilities currently available to the Group.

As advised by the Directors, they recorded growth in the Group's turnover for the six months ended 30 September 2008 as compared with that for the same period last year. However, turnover of November 2008 decreased as compared to that last year, which was mainly due to reduction of orders from certain customers and reduction of selling price of certain products of the Group. In light of the recent global financial crisis, the Group has been more cautious with orders placed by its customers. Orders were mainly accepted from selected customers, in particular, those with a good payment history, and thus resulting in decrease in the Group's turnover. The Directors consider that the risk management measure above is necessary in light of the deteriorating economy.

The total banking facilities granted to the Group decreased from approximately HK$611 million as at 31 March 2008 to HK$503 million as at 30 September 2008. Such decrease, however, was not expected by the Directors to have material adverse impact on the Group in light of the fact that only 23% of such facilities was utilised as at 30 September 2008. As at [30 September 2008], the total banking facilities was approximately HK$[503.7] million, of which approximately HK$[116.7] million was utilised. [As at the Latest Practicable Date, the Group has not received any notification from its principal bankers regarding potential withdrawal of the above banking facilities, early payment of outstanding bank borrowings, request for increase in the amount of pledges for secured bank borrowings.]

CRITICAL ACCOUNTING POLICIES

Significant Accounting Policies and Estimates

The Group has identified certain accounting policies that are significant to the preparation of the Group's financial information. The significant accounting policies, which are important for an understanding of the Group's financial condition and results of operations, are set forth in detail in note 4 of Section G of the Accountants' Report in Appendix I to this document. The preparation of the financial information in conformity with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. Critical accounting policies are those that require management's subjective, or complex judgement, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Estimates and judgement are based on historical experience, prevailing market conditions and rules and regulations and are reviewed on a continual basis taking into account the changing environment and circumstances. In the Track Record Period, there is no material deviation from estimates and assumptions made. In the opinion of the Directors, the estimates and assumptions are not likely to be changed in the near future, as they are not aware of any significant changes in the factors on which the estimates and judgements are based. Below is a summary of the accounting policies that the Directors consider both important to the presentation of the Group's financial results and involve a need to make estimates about the effect of matters that are inherently uncertain.

- *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

- *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

- *Property, plant and equipment*

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statements during the Track Record Period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	20 years
Leasehold improvements	5–20 years
Plant and machinery	5–10 years
Furniture, fixtures and equipment	5–10 years
Motor vehicles	5–10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents plant and machineries pending installation and is stated at cost less accumulated impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statements.

- *Trade and other receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statements.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statements when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date of the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

• *Trade and other payables*

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

RESULTS OF OPERATIONS

Set out below is a summary of the consolidated results of the Group for the Track Record Period, which has been extracted from the Accountants' Report of the Group as set out in Appendix I to this document. Certain financial information on the CSI Group is set forth in the CSI Group Accountants' Report in Appendix II to this document.

		Year ended 31 March			Six months ended 30 September	
		2006	**2007**	**2008**	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Turnover	*1*	574,871	643,198	665,667	333,134	392,183
Cost of goods sold		(466,293)	(517,840)	(524,737)	(271,222)	(312,799)
Gross profit		108,578	125,358	140,930	61,912	79,384
Other income		2,966	1,761	2,412	1,371	1,081
Selling expenses		(18,422)	(21,378)	(19,078)	(9,450)	(13,178)
Administrative expenses		(35,619)	(38,667)	(48,877)	(19,596)	(23,442)
Other operating expenses		(2,439)	(4,599)	(1,343)	(1,266)	(143)
Profit from operations		55,064	62,475	74,044	32,971	43,702
Finance costs		(7,361)	(9,982)	(6,841)	(3,606)	(2,255)
Profit before tax		47,703	52,493	67,203	29,365	41,447
Income tax expense		(1,648)	(3,201)	(5,908)	(3,122)	[(3,564)]
Profit for the year/period		46,055	49,292	61,295	26,243	37,883
Dividends		60,000	30,000	40,000	–	–
Earnings per Share						
Basic	2	[●] cents	[●] cents	[●] cents	[●] cents	[●] cents

Notes:

1. Turnover represents net invoiced value of goods sold for the Track Record Period.

2. The calculation of the basic earnings per share for the Track Record Period is based on the consolidated profit for the year/period for each of the Track Record Period and the weighted average number of [●], [●], [●], [●] and [●] Shares (taken into account [●] Shares to be issued pursuant to the [●] Issue) for the three years ended 31 March 2008 and the six months ended 30 September 2007 and 2008 respectively.

   No diluted earnings per share are presented as the Group did not have any dilutive potential shares during the Track Record Period.

Overview of the major revenues and expense items

The following is an overview of the major revenues and expenses contributing to the trading record of the Group during the Track Record Period:

Turnover

During the Track Record Period, the turnover of the Group was mainly generated from the manufacturing and sale of corrugated paperboards as well as paper-based packaging products. Set out below is an analysis of the turnover of the Group during the Track Record Period as categorised by products:

	Year ended 31 March						Six months ended 30 September			
	2006		2007		2008		2007		2008	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Corrugated paperboards	251,723	43.8	271,198	42.2	325,311	48.9	146,779	44.1	162,125	41.3
Paper-based packaging products	307,627	53.5	355,412	55.2	324,390	48.7	178,650	53.6	220,683	56.3
Substandard paperboards and scraps	15,521	2.7	16,588	2.6	15,966	2.4	7,705	2.3	9,375	2.4
Total	574,871	100	643,198	100	665,667	100	333,134	100	392,183	100

Customers of the Group's corrugated paperboards mainly include manufacturers of corrugated carton, while that of paper-based packaging products mainly include consumer products manufacturers of renowned brands of consumer products in various industries such as electronic appliances, garment, furniture, food and beverages, toys, medicine as well as audio and video products and/or their manufacturing arm or OEM who use the Group's products for packaging purposes. The Group has established long-term business relationship with manufacturers of consumer products of international brands such as Philips (飛利浦) in electronic appliances, audio and video products industry, Jinlongyu (金龍魚) in food and beverages industry. In addition, the Group sells its substandard paperboards and scraps to corrugated carton manufacturers, paper mills and scrap dealer.

Cost of goods sold

The table below is an analysis of the major items of the Group's cost of good sold during the Track Record Period.

	Year ended 31 March			Six months ended 30 September	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Raw materials and consumables	396,682	446,472	450,721	233,539	271,571
Labour costs	19,304	20,160	20,585	11,123	10,360
Depreciation	18,953	19,441	22,086	10,874	11,498
Rental expenses	8,395	9,020	9,420	4,578	5,155
Electricity	14,798	13,834	13,849	6,939	9,217
Repairs and maintenance	3,802	2,097	3,903	1,877	1,985
Subcontracting expenses	1,650	3,706	1,821	1,063	1,265
Others	2,709	3,110	2,352	1,229	1,748
Total	466,293	517,840	524,737	271,222	312,799

As shown above, the costs of raw materials and consumables were the most significant component of the Group's cost of goods sold, representing approximately 85.1%, 86.2%, 85.9% and 86.8% of the total cost of goods sold respectively for the three years ended 31 March 2008 and the six months ended 30 September 2008.

Other income

The table below is an analysis of the Group's other income during the Track Record Period.

	Year ended 31 March			Six months ended 30 September	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)		
Interest income	904	1,077	1,719	775	981
Reversal of allowance for bad and doubtful debts	1,641	376	214	209	17
Rental income	18	18	17	9	1
Sundry income	403	290	462	378	82
	2,966	1,761	2,412	1,371	1,081

Allowance for bad and doubtful debts was made during the Track Record Period as the trade receivables remained exceptionally long outstanding at the time of assessment and of which the likelihood of successful collection was considered to be low by the management of the Group. Reversal of such allowance for bad and doubtful debts was made afterwards as a result of subsequent repayment by the respective debtors.

Selling, administrative and other operating expenses

The Group's expenses during the Track Record Period comprised selling expenses, administrative expenses and other operating expenses. Set out below are the Group's expenses during the Track Record Period as catagorised by selling expenses, administrative expenses and other operating expenses:

	Year ended 31 March			**Six months ended 30 September**	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Selling expenses					
Delivery expenses	17,106	19,502	18,003	8,849	12,223
Commission paid	995	1,539	803	481	680
Marketing, advertising and promotional expenses	321	337	272	120	275
	18,422	21,378	19,078	9,450	13,178
Administrative expenses					
Staff costs	13,654	14,444	15,718	6,747	9,109
Directors emoluments	2,974	3,768	3,156	1,579	1,609
Entertainment	2,673	2,285	2,455	1,022	1,609
Rental and related expenses	1,879	1,414	1,383	679	831
Depreciation	1,232	1,644	1,719	910	961
Amortisation of prepaid land lease payments	40	40	109	69	110
Net exchange loss	2,824	3,722	10,552	2,166	569
Travelling	2,304	2,775	3,189	1,710	1,918
Legal and professional expenses	1,305	1,243	1,899	554	1,261
Others *(Note)*	6,734	7,332	8,697	4,160	5,465
	35,619	38,667	48,877	19,596	23,442

Note: Other administrative expenses mainly included, amongst others, building management fee, donation, electricity and water, insurance, office expenses, repairs and maintenance, membership fees and other miscellaneous expenses.

	Year ended 31 March			Six months ended 30 September	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Other operating expenses					
Loss/(gain) on disposal of property, plant and equipment	1,291	(14)	77	–	143
Allowance for bad and doubtful debts and bad debts written off	1,140	1,075	1,266	1,266	–
Legal and professional expenses	–	3,538	–	–	–
Loss on disposal of subsidiaries	8	–	–	–	–
	2,439	4,599	1,343	1,266	143

Finance costs

During the Track Record Period, the Group's finance costs comprised mainly interest expenses on bank borrowings and finance lease charges.

Income tax expenses

	Year ended 31 March			Six months ended 30 September	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Hong Kong profits tax					
Current tax	67	914	2,452	1,550	314
(Over)/under-provision in previous years	(49)	85	326	–	–
	18	999	2,778	1,550	314
PRC enterprise income tax					
Current tax	1,435	1,700	4,020	1,910	2,650
Tax refund	(622)	(606)	–	–	–
Tax credit	–	–	(1,290)	(421)	–
Under-provision in previous years	–	40	–	–	–
	813	1,134	2,730	1,489	2,650
Deferred tax	817	1,068	400	83	600
	1,648	3,201	5,908	3,122	3,564

The Company and the subsidiaries are incorporated in different jurisdictions, with different taxation requirements.

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

BVI

As advised by the BVI Legal Advisers, each of Jumbo Match, Grand View, Central Master Limited, Central Dragon Limited and Come Sure Holdings, being a BVI business company registered under the BVI Business Companies Act, 2004 of the BVI, is exempt from all provisions of the Income Tax of the BVI.

Hong Kong

Hong Kong Profits Tax is calculated at 17.5% for the three years ended 31 March 2006, 2007 and 2008 and at 16.5% for the six months ended 30 September 2008 of the estimated assessable profit of Come Sure Holdings, Come Sure Development, Keen Rise and Wah Ming for the Track Record Period.

The mode of manufacturing operations of Wah Ming is within the scope of the Departmental Interpretation and Practice Note No.21 issued by the Inland Revenue Department of Hong Kong (the "IRD"), that Wah Ming conducts its manufacturing operations by entering into the Processing Arrangement with the Processing Partner in the PRC and, hence 50% of the adjusted profits were treated as offshore and not taxable in Hong Kong.

Keen Rise was incorporated on 21 February 2008. It was inactive during the period from 21 February 2008 to 31 March 2008 and has commenced its business during the six months period ended 30 September 2008. Relevant tax provision for Keen Rise on the basis that Keen Rise is fully subject to Hong Kong profits tax has been provided for the period ended 30 September 2008. No profits tax return has been issued from the IRD to Keen Rise.

Since 2001, the Group has engaged the tax department of RSM Nelson Wheeler ("Tax Consultant") to assist the Group to handle the tax matters, including but not limited to tax computation and tax compliance for Come Sure Holdings, Come Sure Development and Wah Ming. The Tax Consultant is of the view that Come Sure Holdings, Come Sure Development, Wah Ming and Luck Sea Investment Limited have properly complied with Hong Kong relevant tax laws to file the tax returns and settle the outstanding tax as due during the Track Record Period.

Starting from the year of assessment 1998/99, Come Sure Holdings claimed to the IRD that 50% of its profits was not subject to Hong Kong profits tax ("50% offshore claim") as part of its operations were performed outside Hong Kong. The 50% offshore claim has been reviewed and accepted by the IRD for the years of assessment 1998/99 and 1999/2000. Following the basis accepted by the IRD in 1998/99 and 1999/2000, Come Sure Holdings lodged the 50% offshore claim to the IRD for the years of assessment from 2000/01 to 2006/07. On 7 January 2008, the IRD issued an enquiry letter requesting for information to support Come Sure Holdings’ 50% offshore claim for year of assessment 2006/07 and incorporation and financial details of the Group’s two Macau subsidiaries, Chance Bright and Come Sure Macau. To facilitate the finalization of Come Sure Holdings’ Hong Kong profits tax position, submission was made to the IRD on 5 February 2008 to withdraw the 50% offshore claim lodged from the years of assessment 2004/05 to 2006/07 and provide relevant information of Chance Bright and Come Sure Macau. Relevant provision for Hong Kong profits tax resulting from the withdrawal of the 50% offshore claim has been provided in the financial information of the Group.

On 10 March 2008, the IRD issued a letter requesting Come Sure Holdings to provide supporting information if Come Sure Holdings wishes to pursue the 50% offshore claim for the years of assessment prior to 2004/05 and certain financial information of Chance Bright and Come Sure Macau.

On 12 March 2008, the IRD issued an additional tax assessment for year of assessment 2001/02 of approximately HK$242,000 to Come Sure Holdings on the basis that Come Sure Holdings is wholly subject to Hong Kong profits tax. The Group has settled the additional tax assessment for year of assessment 2001/02 as due.

On 30 July 2008, in order to finalize Come Sure Holdings’ profits tax position on a timely basis, a reply to the IRD’s enquiry letter of 10 March 2008 was submitted to withdraw the 50% offshore claim lodged for the years of assessment 2001/02 to 2006/07. On 20 January 2009, the IRD had an interview with Mr. Chong to further understand the Group’s operating structure and reviewed certain financial information of Come Sure Holdings and Hong Kong and Macau subsidiaries of the Group. As at the [Latest Practicable Date], the Directors were not aware of any further enquiry or investigation by the IRD in respect of Come Sure Holdings’ 50% offshore claim.

A total amount of provision for Hong Kong profits tax for the years of assessment 2002/03 to 2006/07 resulting from the withdrawal of the 50% offshore claim of approximately HK$1.0 million has been made in the Group’s financial information. No additional tax provision was made in the Group’s financial information for the years of assessment prior to 2001/02 as those assessment years had been statutorily time-barred. The Tax Consultants confirm that no additional tax provision has to be made by the Group for the years of assessment prior to 2001/02. The Directors believe that it is unlikely the IRD would impose a penalty as the matter under dispute does not involve any omission or provision of incorrect information/statement when filing the tax returns. In addition, as the IRD has reviewed Come Sure Holdings’ tax position for the years of assessment 1998/99 and 1999/2000, the withdrawal of 50% offshore claim was not due to any fault of Come Sure Holdings when it first claimed the 50% offshore claim and therefore the IRD would unlikely impose any penalty/surcharge. As such, the Tax Consultant concurs with the Directors’ view that no provision for penalty/surcharge is required.

The Tax Consultant concurs with the Directors' opinion and is of the view that the provision for Hong Kong profits tax resulting from the withdrawal of the 50% offshore claim made in the financial information of the Group is sufficient and not excessive. The Directors also confirm that, and the Tax Consultant is of the view that, the Group has made all the requisite tax filings for its Hong Kong subsidiaries during the Track Record Period, and the Group's Hong Kong subsidiaries have agreed with the IRD on the amount of their tax liabilities, except for IRD's queries on Come Sure Holdings' 50% offshore claim.

Macau

In 2004, the Group engaged the Tax Consultant to advise on the procedures and regulations in relation to the establishment of Chance Bright and Come Sure Macau.

The Group's Macau subsidiaries, Chance Bright and Come Sure Macau, located in Macau were incorporated under the Macau SAR's Offshore Law. Pursuant to the Macau SAR's Offshore Law, approved Macau offshore institutions are exempted from Macau complementary tax. As confirmed by the Macau Legal Advisers, Chance Bright and Come Sure Macau are exempted from Macau complementary tax, pursuant to Decree Law no. 58/99M of Macau, as both of which do not sell their products to a Macau resident company or a Macau resident.

A portion of the Group's profits during the Track Record Period are earned by the Macau subsidiaries of the Group. In the opinion of the Directors, that portion of the Group's profit is exempted from Macau complementary tax, and is not at present subject to taxation in any other jurisdictions in which the Group operates.

Based on the confirmation of the Group's management and the Tax Consultant's review on the operation mode of Chance Bright and Come Sure Macau and the relevant documents provided by the management of the Group, the Tax Consultant concurs with the Directors' opinion that Chance Bright's and Come Sure Macau's profits are exempted from Macau complementary tax, and is not at present subject to taxation in any other jurisdictions in which the Group operates.

The Macau Legal Advisers and the Directors confirmed that Chance Bright and Come Sure Macau have made the requisite tax filings to the relevant tax authorities in Macau during the Track Record Period.

The PRC

Pursuant to the "Rules for the Implementation of the Income Tax Law of the People's Republic of China for Foreign Invested Enterprises and Foreign Enterprises"《中華人民共和國外商投資企業和外國企業所得稅法實施細則》in the PRC, Come Sure Shenzhen which was established in Shenzhen is subject to the PRC enterprise income tax of 15% for the period from 1 April 2005 to 31 December 2007. In addition, since Come Sure Shenzhen exported more than 70% of its total output for the period from 1 April 2005 to 31 December 2006, Come Sure Shenzhen was qualified as an Export-Oriented Enterprise ("EOE") and was entitled for a 50% reduction in enterprise income tax but limited to a minimum enterprise income tax rate of 10% for the relevant periods. The new PRC enterprise income tax law ("EIT Law") unifies the enterprise income tax rate for domestic and foreign enterprises at 25% and has come into effect since 1 January 2008. The enterprise income tax reduction for EOE described above is no longer available under the new EIT Law. Pursuant to Notice [2007]39 "Notice on Implementation of Corporate Income Tax Transitional Preferential Treatment" issued by the PRC State Council on 26 December 2007, enterprises entitled to lower tax rates under the old law will be given a five-year transitional period before they are required to pay the statutory rate. Subject to the final approval of Shenzhen tax bureau, the applicable tax rate for Come Sure Shenzhen would be 18% for the [first three quarters] of 2008 according to the Tax Supplementary Report (納稅輔導報告) issued by the relevant PRC tax bureau, and an enterprise income tax application form submitted by Come Sure Shenzhen and accepted by the relevant PRC tax bureau. The applicable tax rates for Come Sure Shenzhen during the Track Record Period were as follows:

Period from 1 April 2005 to 31 December 2006	10%
Period from 1 January 2007 to 31 December 2007	15%
Period from 1 January 2008 to 30 September 2008	18%

The PRC Legal Advisers, the relevant PRC tax bureau and the Directors confirmed that, during the Track Record Period, the Group's PRC subsidiaries have filed the PRC tax returns in accordance with the relevant PRC tax laws, rules and regulations. Also, the PRC Legal Advisers have not found any record in relation to violation of the existing PRC tax laws, rules and regulations, or any record of penalty by the relevant authorities except for the late payment surcharge of approximately RMB0.3 million as mentioned below.

Since 2006, the Group further engaged the Tax Consultant to review the Group's tax provision for the years ended 31 March 2004 to 31 March 2008 and the six months ended 30 September 2008 and to issue a tax provision review report ("Tax Provision Review Report") for the relevant periods. The Tax Consultant has discussed with the management and the finance personnel of the Group for the operation of the entities and also reviewed relevant documents. The Tax Consultant is of the view that the tax provisions provided by the Group during the relevant period are adequate but not excessive.

Since 2006, the Group has engaged the Tax Consultant to review the transfer pricing arrangement adopted by the Group to assess if the intra-group related parties transactions for each of the five consecutive years ended 31 March 2008 and the six months ended 30 September 2008 were conducted on an arm's length basis among three business segments, namely sales and distribution (Come Sure Holdings, Come Sure Macau and Keen Rise), processing (Come Sure Shenzhen) and procurement (Come Sure Development and Chance Bright) and issued a transfer pricing review report ("Transfer Pricing Review Report") for the relevant periods.

The management of the Group has conducted "Function and Risk Analysis" for each of the five consecutive years ended 31 March 2008 and the six months ended 30 September 2008 which has then been reviewed by the Tax Consultant by comparing the business functions, business risks, manufacturing intangibles and marketing intangibles on the parties involved in the Group's intra-group related parties transactions.

The sales and distribution segment of the Group, comprising mainly Come Sure Holdings, Come Sure Macau and Keen Rise, takes up functions like quality control, process engineering and production control, bears risks in financial, manufacturing and market areas. It holds most of the marketing intangibles for the business.

The processing segment of the Group, comprising mainly Come Sure Shenzhen, takes up most of the basic manufacturing functions and risks including the PRC government licenses, labour and equipment.

The procurement segment of the Group, comprising mainly Come Sure Development and Chance Bright, only responsibles for procurement functions and risk of the raw material procurement.

Based on the functional and risk analysis performed by the Group, the split of operating profits among the three business segments, namely sales and distributions, processing and procurement is approximately 38.4%, 41.7% and 19.9% respectively for each of the five consecutive years ended 31 March 2008 and the six months ended 30 September 2008. The Group has consistently adopted such allocation basis for the preparation of the financial information for each of the five consecutive years ended 31 March 2008 and the six months ended 30 September 2008. The Tax Consultant is of the view that the profit allocation basis is justifiable and the Group has consistently adopted such allocation basis for each of the five consecutive years ended 31 March 2008 and the Group's tax provisions as of 31 March 2006, 2007 and 2008 and 30 September 2008 are adequate but not excessive.

In July 2007, the Group engaged Shenzhen Shangboxin Registered Tax Agents Co. Ltd., 深圳市商博信稅務師事務所有限責任公司 ("PRC Tax Agent"), to handle the PRC tax matters and to conduct a detail study on the Group's transfer pricing arrangement in the PRC and to opine on the tax impact as a result of the aforesaid transfer pricing arrangement for the relevant years up to year ended 31 December 2006. The PRC Tax Agent has reviewed Come Sure Shenzhen's management accounts for years ended 31 March 2002 to 2007 (of which the fiscal year end date as at 31 March and was prepared based on Hong Kong generally accepted accounting principles) and its PRC statutory financial statements for years ended 31 December 2001 to 2006 (of which the fiscal year end date as at 31 December and was prepared based on the PRC accounting standards). According to the tax report ("PRC Tax Report") issued by the PRC Tax Agent in August 2007, discrepancies were found in the operating profits between Come Sure Shenzhen's management accounts and the PRC statutory financial statements due to the adoption of different year end dates, timing difference in recognition of certain revenues and expenses and the transfer pricing arrangement between Come Sure Shenzhen and other operating subsidiaries of the Group. As such, the PRC Tax Agent proposed additional taxable profits adjustments in the books of Come Sure Shenzhen for the relevant years up to year ended 31 December 2006.

Based on the advice of the PRC Tax Agent, Come Sure Shenzhen voluntarily reported its transfer pricing arrangement adopted in the intra-group related parties transactions and paid an additional Enterprise Income Tax ("EIT") of approximately RMB6.5 million and late payment surcharge of approximately RMB0.3 million, where such tax and surcharge has been provided in the financial information of the Group, covering periods up to the year ended 31 December 2006, to the relevant PRC tax bureau in September 2007. The Tax Consultant was advised by the Directors that the issues identified by the PRC Tax Agent has been reported to the relevant PRC tax bureau and is satisfied that the tax payment above was duly accepted and resolved. The Tax Consultant has reviewed the PRC Tax Report and considered that the proposed additional taxable profits adjustments in the books of Come Sure Shenzhen and additional EIT paid to the relevant PRC tax bureau for the relevant years up to year ended 31 December 2006 is reasonable and not excessive, and no further taxable profits adjustments subsequent to 31 December 2006 is necessary.

As confirmed by the Directors and the PRC Legal Advisers, one of the senior management of the Group, accompanied and witnessed by the PRC Legal Advisers, arranged a meeting with the Shenzhen Baoan Tax Bureau (深圳市寶安區地方稅務局) (the "Tax Authority") on 10 September 2008. The relevant officer of the Tax Authority acknowledged the payment of additional enterprise income tax of approximately RMB6.5 million and late payment surcharge of approximately RMB0.3 million by Come Sure Shenzhen, covering period up to the year ended 31 December 2006, made in September 2007. According to the officer of the Tax Authority, the Tax Authority has duly accepted the payment of additional EIT and late payment surcharge and has no intention to impose any further penalty or surcharge on Come Sure Shenzhen.

Taking into consideration the transfer pricing arrangement and the issues identified by the PRC Tax Agent during the Track Record Period, the Group has implemented specific internal control procedures since [January] 2007 and the management of the Group will review the subject matter abovementioned on a regular basis. Accounting department of all the Group's subsidiaries are required to submit individual company's financial statements to the Group's head accounting department on monthly basis. In addition, the Group's subsidiaries are required to summit the following documents to the Group's head accounting department an quarterly basis, (1) reconciliation of inter-company balances; (2) reconciliation statement of the PRC statutory financial statements which was prepared based on the PRC accounting standards and the management accounts which was prepared based on Hong Kong generally accepted accounting principles; (3) reconciliation of timing difference in recognition of certain revenues and expenses; (4) report of reviewing the execution of the transfer pricing arrangement between the Group's operating subsidiaries; and (5) report on the tax provision position, tax filing, tax payment in accordance with the relevant laws and regulations in the jurisdictions in which the subsidiaries operates. The Group's head accounting department will, based on the abovementioned information, prepare the Group's consolidated financial statements on a monthly basis, and provide the abovementioned reports on consolidated basis to the Group's management for review and discussion. The Group's management will review the Group's tax provision position and the transfer pricing arrangement between its operating subsidiaries on a quarterly basis and to evaluate the sufficiency of the Group's tax position and adequacy of tax payments.

Taking into account the abovementioned tax payment and work performed, the Tax Consultant is of the view that no additional tax provision arising from transfer pricing arrangement is required up to the period ended 30 September 2008 and the possibility that the PRC, Hong Kong or Macau tax bureaus overrule the allocation basis of the Group's profits for the five years ended 31 March 2008 and the six months ended 30 September 2008 is remote.

As at the Latest Practicable Date, the Directors were not aware of any enquiry or investigation by any of the relevant PRC tax bureau with respect to the Group's transfer pricing arrangement or other tax affairs. The relevant PRC tax bureau and the Directors have confirmed that the outstanding tax liabilities of the companies in the PRC have been settled. In addition, the Controlling Shareholder(s) also provide tax indemnity (including related penalty and surcharge) to the Group.

Selected balance sheet data

The table below shows selected balance sheet data form the Group's audited consolidated balance sheet as at 31 March 2006, 31 March 2007, 31 March 2008 and 30 September 2008.

	Year ended 31 March			Six months ended 30 September
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
of which, Property, plant and equipment	128,475	131,195	130,997	126,517
Current assets				
of which, Inventories	68,580	51,016	77,277	66,518
of which, Trade and other receivables	155,447	152,899	172,384	204,928
of which, Bank and cash balances	49,629	39,728	56,148	48,131
Current liabilities				
of which, Trade and other payables	63,195	77,236	97,462	79,530
Net current assets	26,810	86,367	115,248	165,413
Non-current liabilities	4,840	8,776	10,721	8,728
Total equity	152,838	214,266	241,473	289,185

Financial ratios

	Year ended 31 March			Six months ended 30 September
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross profit margin (1)	18.9%	19.5%	21.2%	20.2%
Net profit margin (2)	8.0%	7.7%	9.2%	9.7%
Current ratio (3)	1.1	1.4	1.5	1.9
Trade receivables turnover days (4)	80	81	84	84
Trade payables turnover days (5)	27	33	42	35
Inventory turnover days (6)	54	42	45	42
Gearing ratio (7)	44.5%	27.1%	20.0%	23.7%

Notes:

(1) Being gross profit for the year/period divided by turnover, multiplied by 100%.

(2) Being profit for the year/period divided by turnover, multiplied by 100%.

(3) Being the current assets divided by current liabilities at the end of the year/period.

(4) Being the average of beginning of year/period and end of year/period trade receivables divided by turnover of the year/period, multiplied by 365 days/183 days.

(5) Being the average of beginning of year/period and end of year/period trade payables divided by cost of goods sold of the year/period, multiplied by 365 days/183 days.

(6) Being the average of beginning of year/period and end of year/period inventories divided by cost of goods sold of the year/period, multiplied by 365 days/183 days.

(7) Being end of year/period total short-term bank borrowings and long-term bank borrowings divided by end of year/period total assets, multiplied by 100%.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

Six months ended 30 September 2008 compared to six months ended 30 September 2007

Turnover

Turnover of the Group for the six months ended 30 September 2008 was approximately HK$392.2 million, representing an increase of HK$59.1 million or 17.7% from approximately HK$333.1 million for the six months ended 30 September 2007. The Group's turnover comprises of sales contributed by three categories of products, namely corrugated paperboards, paper-based packaging products and substandard paperboards and scraps which accounted for approximately 41.3%, 56.3% and 2.4% respectively of the Group's turnover for the six months ended 30 September 2008. For the six months ended 30 September 2007, corrugated paperboards, paper-based packaging products and substandard paperboards and scraps accounted for approximately 44.1%, 53.6% and 2.3% of the Group's turnover respectively.

During the six months ended 30 September 2008, turnover contributed by the sale of corrugated paperboards was approximately HK$162.1 million as compared with approximately HK$146.8 million for the six months ended 30 September 2007. For the six months ended 30 September 2008, the average selling price per tonne of corrugated paperboards sold increased by approximately 19.0% from that of the same period in 2007 which offset decrease in the total quantity sold for the six months ended 30 September 2008 by [7.1]% from that of the same period in 2007. The market price of raw paper surged during late 2007 and early 2008. To cope with the increasing raw paper costs, the Group successfully shifted the increasing costs to the customers by increasing the average selling price of its products. The Group reduced sale to customers with lower profit margin gradually, resulting in a drop in the total quantity of corrugated paperboards sold for the six months ended 30 September 2008.

Turnover contributed by the sale of paper-based packaging products was approximately HK$220.7 million for the six months ended 30 September 2008 as compared with approximately HK$178.7 million for the six months ended 30 September 2007, representing an increase of approximately HK$42.0 million or 23.5%. Such increase was mainly due to substantial increase in the average selling price per tonne of approximately 32.0% for the six months ended 30 September 2008 from that of the same period in 2007, partially offset by decrease in total quantity sold of approximately 6.4% for the period. In light of the increasing raw paper costs, the Group adjusted the average selling price of its products in order to maintain the profit margin. Moreover, a number of customers increased orders for high quality or multi-colour offset printing corrugated cartons, of which selling price was higher, since late 2007.

Turnover contributed by the sale of substandard paperboards and scraps for the six months ended 30 September 2008 was approximately HK$9.4 million as compared with approximately HK$7.7 million for the six months ended 30 September 2007, representing an increase of HK$1.7 million or 22.1%. The increase in substandard paperboards and scraps generated during the six months ended 30 September 2008 was in line with the increase in turnover and production. Turnover contributed by the sale of substandard paperboards and scraps accounted for approximately 2.4% of the Group's turnover for the six months ended 30 September 2008 which is comparable to that of 2.3% for the same period in 2007.

Turnover attributable to domestic delivery, domestic sales and direct export was approximately 62.8%, 34.7% and 2.5% respectively for the six months ended 30 September 2008, as compared with approximately 67.7%, 32.0% and 0.3% for the year ended 31 March 2008. The booming economy in the PRC allowed the Group to capture more sales from domestic market.

Cost of goods sold

Cost of goods sold of the Group for the six months ended 30 September 2008 was approximately HK$312.8 million, representing an increase of HK$41.6 million or 15.3% from approximately HK$271.2 million for the same period in 2007. Increase in cost of goods sold was mainly contributed by increase in raw materials and consumables of approximately HK$38.1 million from approximately HK$233.5 million for the six months ended 30 September 2007 to approximately HK$271.6 million for the same period in 2008 and increase in electricity of approximately HK$2.3 million from approximately HK$6.9 million for the six months ended 30 September 2007 to approximately HK$9.2 million for the same period in 2008. During the six months ended 30 September 2008, the average market price of raw paper [remained steady from April to May 2008 and experienced drop in average market price since June 2008], which increased the cost of raw materials and consumables in general. Increase in cost of goods sold of approximately 15.3% from the six months ended 30 September 2007 to the six months ended 30 September 2008 was in line with the increase in turnover of approximately 17.7% for the same period.

Gross profit and gross profit margin

Gross profit and gross profit margin was approximately HK$79.4 million and 20.2% for the six months ended 30 September 2008 as compared with approximately HK$61.9 million and 18.6% for the six months ended 30 September 2007. The management's implementation of stringent cost control and drop in cost of raw paper abovementioned have contributed to the improvement in gross profit margin.

Other income

Other income for the six months ended 30 September 2008 was approximately HK$1.1 million, as compared to that of approximately HK$1.4 million for the six months ended 30 September 2007. Slight decrease in other income was mainly due to decrease in reversal of allowance for bad and doubtful debts from approximately HK$0.2 million for the six months ended 30 September 2007 to that of approximately HK$17,000 for the six months ended 30 September 2008 and decrease in sundry income from approximately HK$0.4 million for the six months ended 30 September 2007 to that of approximately HK$0.1 million for the six months ended 30 September 2008. Sundry income includes mainly testing fees received from customers.

Selling, administrative and other operating expenses

For the six months ended 30 September 2008, selling expenses were approximately HK$13.2 million, representing an increase of HK$3.7 million or 38.9% from approximately HK$9.5 million for the six months ended 30 September 2007. Increase in selling expenses was mainly due to increase in delivery expenses to approximately HK$12.2 million for the six months ended 30 September 2008 from approximately HK$8.8 million for the same period in 2007. Transportation fee paid to transportation service providers which was charged based on, among others, certain specific percentage of invoice value of goods delivered increased during the period as a result of increase in turnover. Such charging rate has been increased since [April] 2008 mainly due to increase in petroleum cost.

Administrative expenses increased by HK$3.8 million or 19.4% from HK$19.6 million for the six months ended 30 September 2007 to approximately HK$23.4 million for the six months ended 30 September 2008. Increase in administrative expenses was mainly attributable to increase in staff costs of approximately HK$2.4 million and legal and professional expenses of approximately HK$0.7 million and others of approximately HK$1.3 million. Increase in staff cost was mainly due to a general salary increment for the six months ended 30 September 2008 as compared with the same period in 2007.

Other operating expenses decreased from approximately HK$1.3 million for the six months ended 30 September 2007 to approximately HK$143,000 for the six months ended 30 September 2008. For the six months ended 30 September 2008, loss on disposal of property, plant and equipment was approximately HK$143,000. For the six months ended 30 September 2007, there was approximately HK$1.3 million for allowance of bad and doubtful debts and bad debts written off.

Finance costs

Finance costs, comprising interests on bank borrowings, decreased from approximately HK$3.6 million for the six months ended 30 September 2007 to approximately HK$2.3 million for the six months ended 30 September 2008. Decrease in finance costs was mainly due to decrease in the average loan balances of the Group for the six months ended 30 September 2008 as compared to the same period in 2007. During the six months ended 30 September 2008, the Group repaid HK$10.8 million net trust receipt loans and HK$2.9 million bank loans. The Group raised additional bank loans of approximately HK$35.0 million in August 2008. During the six months ended 30 September 2007, the Group raised HK$48.8 million net trust receipt loans and HK$28.5 million bank loans and repaid bank loans of HK$57.9 million. The average interest rates of short-term bank borrowings and long term bank borrowings were approximately 5.67% per annum and 5.70% per annum at 30 September 2008 respectively.

Income tax

Income tax was approximately HK$3.6 million for the six months ended 30 September 2008 as compared to that of approximately HK$3.1 million for the six months ended 30 September 2007. Even though the profit before tax increased from approximately HK$29.4 million for the six months ended 30 September 2007 to approximately HK$41.4 million for the six months ended 30 September 2008, the effective tax rate decreased from approximately 10.6% for the six months ended 30 September 2007 to approximately 8.6% for the six months ended 30 September 2008. Such decrease in the effective tax rate for the six months ended 30 September 2008 was mainly due to change in applicable tax rates for the Group companies in the PRC and Hong Kong. For the six months ended 30 September 2008, the applicable tax rates for the Group companies in the PRC and in Hong Kong were approximately 18% and 16.5% as compared to the same of approximately 15% and 17.5% for the six months ended 30 September 2007. For the six months ended 30 September 2008, the non-deductible expenses for tax were approximately HK$140,000 compared to that of approximately HK$1.1 million for the same period in 2007 which led to decrease of approximately HK$1.0 million in income tax expense for the six months ended 30 September 2008. Non-deductible expenses for tax mainly including expenses of non-trading nature, such as donation, interest expenses attributable for non-income assets and the tax penalty charge.

Profit for the year and net profit margin

Net profit and net profit margin was approximately HK$37.9 million and 9.6% for the six months ended 30 September 2008 as compared to approximately HK$26.2 million and 7.9% for the six months ended 30 September 2007. Increase in net profit margin for the six months ended 30 September 2008 was in line with the increase in turnover and gross profit margin.

Current ratio

Current ratio for the six months ended 30 September 2008 was 1.9 as compared with that of 1.5 for the six months ended 31 March 2008. Current assets increased by approximately HK$15.3 million from approximately HK$343.9 million as at 31 March 2008 to approximately HK$359.2 million as at 30 September 2008, which was mainly due to increase in trade and other receivables of approximately HK$32.5 million offset by decrease in inventory of approximately HK$10.8 million and decrease in bank and cash balances of approximately HK$8.0 million. In addition, current liabilities decreased by approximately HK$34.8 million form approximately HK$228.6 million as at 31 March 2008 to approximately HK$193.8 million as at 30 September 2008, which was mainly due to decrease in trade and other payables of approximately HK$17.9 million. In view of the volatility in the current market price of raw paper and the prediction of falling market price of raw paper, the management intended to keep fewer inventories which led to decrease in trade and other payables, and as a result, current ratio increased.

Trade receivables and trade receivables turnover days

Trade receivables were approximately HK$195.6 million and HK$163.2 million as at 30 September 2008 and 31 March 2008 respectively, of which approximately HK$40.0 million and HK$54.1 million were amount of trade receivables overdue as at the respective dates. Decrease in trade receivables overdue amounts was mainly due to efficient and effective receivables collection from customers by the Group's sales and marketing staff and selection and acceptance of orders from creditworthy customers by the management. For the six months ended 30 September 2008, bad debts of approximately HK$0.4 million have been written off.

As stated under the sub-section headed "Terms of sales and credit policy" under section headed "Business" in the document, the Group adopts various credit control measures to monitor the amount of trade receivables overdue regularly. 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 relevant customers. As at [31 December] 2008, approximately [79.7]% of the amount of trade receivables as at 30 September 2008 have been settled. In light of the above, the Directors consider that the provision for trade receivables made by the Group as at [30 September] 2008 is sufficient.

The trade receivables turnover days for the six months ended 30 September 2008 was approximately 84 days which was the same to that of approximately 84 days for the year ended 31 March 2008. During the Track Record Period, the Group consistently offers credit terms to customers within a range of 15 days to 120 days after end of the month in which the relevant sales occurred.

Other receivables

Other receivables were approximately HK$9.3 million as at 30 September 2008 as compared with approximately HK$9.2 million as at 31 March 2008. Other receivables as at 30 September 2008 comprised of deposits paid, prepayments and others of approximately HK$0.9 million, HK$4.4 million and HK$4.0 million respectively. Decrease in deposits paid of approximately HK$1.8 million was mainly due to decrease in deposits paid for acquisition of property, plant and equipment. Increase in prepayments of approximately HK$2.7 million was mainly due to increase in prepayments for legal and professional fees from approximately HK$0.6 million as at 31 March 2008 to approximately HK$3.4 million as at 30 September 2008. Others mainly included temporary advances to transportation service provide, advance to marketing and external affair staff, advance for market research expenses and general debtors.

Trade payables and trade payables turnover days

Trade payables were approximately HK$49.5 million and HK$68.6 million as at 30 September 2008 and 31 March 2008 respectively. The trade payables turnover days decreased from 42 days as at 31 March 2008 to 35 days as at 30 September 2008. As the international raw paper price decreased and comparable to that of the domestic raw paper price, the Group shifted a portion of raw paper procurement from the PRC suppliers to overseas suppliers who offer shorter credit periods. Moreover, the management has adopted tightening inventory control measures to reduce the inventories store-up period from approximately one-month period to less than one month. As such trade payables and trade payables turnover days were decreased accordingly.

Other payables

Other payables were approximately HK$30.1 million as at 30 September 2008 as compared with approximately HK$28.8 million as at 31 March 2008. Other payables as at 30 September 2008 comprised of accrued expenses, receipts in advance from customers, provision for social security fund and others of approximately HK$14.3 million, HK$1.0 million, HK$8.9 million and HK$5.9 million respectively. Slight increase in other payables of approximately HK$1.3 million was mainly due to increase in accrued expenses of approximately HK$2.3 million, which including increase of rental expenses of approximately HK$2.3 million and transportation expenses of approximately HK$0.8 million offset by slight decrease in accrued wages and messing for staff. Increase in provision for social security fund of approximately HK$0.6 million was due to the Group's additional provision for insufficient provision and contribution of social security fund for the staff of Come Sure Shenzhen and Wah Ming for one-month period of April 2008. The Group has made full social security contributions for its employees according to the applicable PRC laws and regulations since May 2008. For details, please refer to the sub-section headed "Insurance" under the section headed "Business" in this document.

Inventories turnover days

The inventory turnover days decreased to 42 days for the six months ended 30 September 2008 from 45 days for the year ended 31 March 2008. In view of the volatility of the current market price of raw paper and the prediction of further dropping in the market price of raw paper, the management of the Group decided to decrease and keep a lower inventory level to tackle with it.

Gearing ratio

Gearing ratio was approximately 23.7% for the six months ended 30 September 2008 as compared with 20.0% for the year ended 31 March 2008. Total bank borrowings were approximately HK$116.7 million and HK$95.9 million as at 30 September 2008 and 31 March 2008 respectively. For the six months ended 30 September 2008, the Group has repaid trust receipts loans and bank loans of approximately HK$13.7 million and raised additional bank loans of approximately HK$35.0 million. Such increase in the total bank borrowings also led to a higher gearing ratio.

Year ended 31 March 2008 compared to year ended 31 March 2007

Turnover

Turnover of the Group for the year ended 31 March 2008 was approximately HK$665.7 million, representing an increase of HK$22.5 million or 3.5% from approximately HK$643.2 million for the year ended 31 March 2007. The Group's turnover comprises of the sales contributed by three categories of product, namely corrugated paperboards, paper-based packaging products and substandard paperboards and scraps which accounted for approximately 48.9%, 48.7% and 2.4% respectively of the Group's turnover for the year ended 31 March 2008. For the year ended 31 March 2007, corrugated paperboards, paper-based packaging products and substandard paperboards and scraps accounted for approximately 42.2%, 55.2% and 2.6% of the Group's turnover respectively.

During the year ended 31 March 2008, turnover contributed by the sale of corrugated paperboards was approximately HK$325.3 million as compared with approximately HK$271.2 million in 2007. Even with a slight decrease of approximately 0.2% in the total quantity of corrugated paperboards sold for the year ended 31 March 2008 from that in 2007, the average selling price per tonne increased by approximately 20.3% from that in 2007. As a result, the Group recorded an increase of HK$54.1 million or 20.0% in sales of the corrugated paperboards from that in 2007. Such increase was driven by the ability that the Group leveraged the increasing raw paper costs to the corrugated paperboards customers.

Turnover contributed by the sale of paper-based packaging products was approximately HK$324.4 million for the year ended 31 March 2008 as compared with approximately HK$355.4 million in 2007, representing a decrease of HK$31.0 million or 8.7%. Such decrease in turnover was mainly due to a decrease in the total quantity of paper-based packaging products sold for the year ended 31 March 2008 of approximately 26.0% from that in 2007, partly offset by an increase in average selling price per tonne of approximately 23.4% for the year ended 31 March 2008 from that in 2007. The selling price of raw paper surged during the year ended 31 March 2008. In order to response to the volatile market condition and increasing production costs, the Group negotiated with paper-based packaging products customers for a higher selling price, resulting in a decrease in customers' orders in the first half of the financial year 2008 as compared with that in first half of 2007, and an decrease in turnover of paper-based packaging products for the year ended 31 March 2008. Nevertheless, the customers have adjusted themselves to the aforesaid price increase and increased their purchase from the Group in the second half of 2008. Moreover, the Group phased out customers with lower profit margin during the year so as to release certain production capacity for potential customers with higher profit margin.

Turnover contributed by the sale of substandard paperboards and scraps for the year ended 31 March 2008 was approximately HK$16.0 million as compared with approximately HK$16.6 million in 2007, representing a decrease of HK$0.6 million or 3.6%. Since the spoilage rate for production was slightly improved and fewer scraps were generated during production, slight decrease in turnover from substandard paperboards and scraps was recorded.

Turnover attributable to domestic delivery export, domestic sales and direct export was approximately 67.7%, 32.0% and 0.3% respectively for the year ended 31 March 2008, as compared with approximately 76.9%, 22.6% and 0.5% in 2007. Continuing shift from domestic delivery export sales to domestic sales was recorded. The booming economy in the PRC created more opportunities for the Group to capture the domestic sales market.

Cost of goods sold

Cost of goods sold of the Group for the year ended 31 March 2008 was approximately HK$524.7 million, representing an increase of HK$6.9 million or 1.3% from approximately HK$517.8 million for the year ended 31 March 2007. Slight increase in the cost of goods sold was mainly due to increase in raw materials and consumables amounting to HK$4.2 million and labour costs amounting to HK$0.4 million. During the year ended 31 March 2008, the average market price of raw paper increased in a steady pace. As the Group has developed long and good relationship with its major suppliers, with whom bi-monthly or quarterly procurement contracts were signed. As a result, stable supply of raw paper and lower average price was secured which benefited the Group to be less vulnerable to fluctuation in market price of raw paper.

Gross profit and gross profit margin

Gross profit and gross profit margin was approximately HK$140.9 million and 21.2% for the year ended 31 March 2008 as compared with approximately HK$125.4 million and 19.5% for the year ended 31 March 2007. Improvement in gross profit margin was mainly contributed by the Group's success in increasing its average selling price among customers in order to leverage the increasing raw paper costs and the Group's continuous effort in cost control.

Other income

Other income for the year ended 31 March 2008 was approximately HK$2.4 million, as compared with that of approximately HK$1.8 million for the year ended 31 March 2007. The increase in other income of approximately HK$0.6 million was mainly due to the increase in interest income of approximately HK$0.6 million. The average bank and cash balances for the year ended 31 March 2008 was in general higher than that in 2007 which resulted in an increase in interest income.

Selling, administrative and other operating expenses

For the year ended 31 March 2008, selling expenses were approximately HK$19.1 million, representing a slight decrease of HK$2.3 million or 10.7% from approximately HK$21.4 million for the year ended 31 March 2007. Decrease in selling expenses was mainly resulted from decrease in delivery expenses of approximately HK$1.5 million and commission paid of HK$0.7 million. The Group monitored and kept a stable proportion of selling expenses to the turnover which was 2.9% and 3.3% respectively for the years ended 31 March 2008 and 2007. Decrease in delivery expenses was due to more efficient delivery schedule arrangement, for example, bulk delivery to one customer or customers within the same region or nearby and to avoid urgent delivery due to customers' tight production schedule. Commission expenses paid decreased to approximately HK$0.8 million for the year ended 31 March 2008 from HK$1.5 million in 2007, which was paid to Wah Ming's sales agents. The commission expenses were directly varied with the turnover generated by these sales agents.

Administrative expenses increased by HK$10.2 million or 26.4% to approximately HK$48.9 million for the year ended 31 March 2008 from approximately HK$38.7 million in 2007. Increase in administrative expenses was mainly attributable to increase in staff costs of approximately HK$1.3 million and increase in net exchange loss of approximately HK$6.9 million. Increase in staff costs was mainly due to a general salary increment during the year. Substantial increase in net exchange loss from HK$3.7 million for the year ended 31 March 2007 to HK$10.6 million for the year ended 31 March 2008 was mainly due to continuous appreciation of RMB against HK$ and USD. Such exchange loss was mainly resulted from translating the Group's monetary items and intra-group current accounts.

Other operating expenses decreased by HK$3.3 million to approximately HK$1.3 million for the year ended 31 March 2008 from approximately HK$4.6 million in 2007. The decrease was mainly due to recognition of legal and professional expenses of approximately HK$3.5 million in 2007 but no such expenses was recognised in 2008.

Finance costs

Finance costs, comprising mainly interests on bank borrowings and finance lease charges, decreased substantially by approximately HK$3.2 million to approximately HK$6.8 million for the year ended 31 March 2008 from approximately HK$10.0 million in 2007. Such decrease was mainly due to a decrease in interest on bank borrowings by approximately HK$3.0 million for the year ended 31 March 2008. During the year ended 31 March 2008, interest rate on bank borrowings was reduced several times and kept at a low level. The average interest rates of short-term bank borrowings were approximately 3.47% and 6.01% per annum at 31 March 2008 and 2007 respectively and the average interest rates of long term borrowings were approximately 3.37% and 5.65% per annum at 31 March 2008 and 2007 respectively. During the year ended 31 March 2008, the Group repaid all the short-term bank loans denominated in RMB and incurred no new short-term bank loans denominated in RMB. The Group reduced in aggregate its bank borrowings by approximately HK$16.8 million during the year to reduce its finance costs burden, which resulted in a lower level of total bank borrowings as at 31 March 2008 of approximately HK$95.9 million as compared with that of approximately HK$112.7 million as at 31 March 2007.

Income tax

Income tax increased by approximately HK$2.7 million from approximately HK$3.2 million for the year ended 31 March 2007 to approximately HK$5.9 million for the year ended 31 March 2008. Effective tax rate increased from approximately 6.1% for the year ended 31 March 2007 to 8.8% for the year ended 31 March 2008. Increase in income tax was mainly due to an increase in provision for Hong Kong profits tax from approximately HK$1.0 million for the year ended 31 March 2007 to HK$2.8 million in 2008 and an increase in provision for PRC enterprise income tax from approximately HK$1.1 million for the year ended 31 March 2007 to HK$2.7 million in 2008.

Increase in provision for Hong Kong profits tax was because of the fully utilization of previous operating loss arising from Come Sure Development in 2007. Profits derived from Come Sure Development and Come Sure Holdings in 2008 were fully assessable and taxable. Increase in provision for PRC enterprise income tax was mainly due to the change in applicable enterprise income tax rates in 2007 and 2008 for Come Sure Shenzhen. Applicable enterprise income tax rates for the period from 1 January 2008 to 31 March 2008 was 18% and for the period from 1 April 2007 to 31 December 2007 was 15%. The applicable enterprise income tax rates for the period from 1 January 2007 to 31 March 2007 was 15% and for the period from 1 April 2006 to 31 December 2006 was 10%. Tax credit of approximately HK$1.3 million arising from purchase of PRC homemade machineries offset part of enterprise income tax.

Profit for the year and net profit margin

Net profit and net profit margin was approximately HK$61.3 million and 9.2% for the year ended 31 March 2008 as compared with approximately HK$49.3 million and 7.7% for the year ended 31 March 2007. Improvement in net profit margin was in line with the improvement in gross profit margin which showed that the Group was efficient in controlling production costs, selling expenses and administrative expenses.

Current ratio

The current ratio for the year ended 31 March 2008 was 1.5 as compared with that of 1.4 for the year ended 31 March 2007. Slight increase in current ratio was mainly due to an increase in current assets of approximately HK$65.1 million which mainly arising from general increase in inventories, trade and other receivables and bank and cash balances, which overweighted an increase in current liabilities of approximately HK$36.1 million arising from increase in trade and other payables and dividend payable, and was partly offset by decrease in short-term bank borrowings.

Trade receivables and trade receivables turnover days

Trade receivables were approximately HK$163.2 million and HK$144.8 million as at 31 March 2008 and 31 March 2007 respectively, of which approximately HK$54.1 million and HK$50.1 million were amount of trade receivables overdue for the respective year. The amount of trade receivables overdue was mainly due to the fact that more time was required for resolving discrepancies on the transactions amount between the Group and the respective customers on monthly basis and late settlement by certain relatively small customers in terms of their annual purchase amount from the Group. According to the past experience and negotiation with the respective customers, the Directors consider that the aforesaid discrepancies in monthly transaction amount are normal and can be resolved in general. Moreover, those small customers abovementioned are likely to settle their bills later as they have no recent history of default. For the three years ended 31 March 2008, bad debts of approximately nil, HK$2.4 million and HK$1.3 million have been written off. The Directors consider that the Group did not experience immense difficulties in collecting trade receivables in the past.

The trade receivables turnover days for the year ended 31 March 2008 was approximately 84 days as compared with 81 days in 2007. The Group offers credit terms to customers within a range of 15 days to 120 days after end of the month in which the relevant sales occurred. There was a slight increase in the trade receivables turnover days principally because some large orders were placed during the end of financial year 2008 which were not fall due as at 31 March 2008. The trade receivables turnover days for the year ended 31 March 2008 of 84 days was within the range of the credit periods granted to customers of 15 days to 120 days after end of the month in which relevant sales occurred.

Other receivables

Other receivables were approximately HK$9.2 million as at 31 March 2008 as compared with approximately HK$8.1 million as at 31 March 2007. Other receivables as at 31 March 2008 comprised of deposits paid, prepayments and others of approximately HK$2.7 million, HK$1.7 million and HK$4.8 million respectively. Decrease in deposits paid of approximately HK$1.1 million was mainly due to the decrease in deposits paid for acquisition of property, plant and equipments. Increase in prepayments of approximately HK$0.8 million was mainly due to increase in prepayments for legal and professional fees of approximately HK$0.6 million and increase in other prepayments in transportation and rental. Others mainly included temporary advances to transportation service provider, advance to marketing and external affair staff and advance for market research expenses.

Trade payables and trade payables turnover days

Trade payables were approximately HK$68.6 million and HK$52.6 million as at 31 March 2008 and 31 March 2007 respectively. The trade payables turnover days increased from 33 days for the year ended 31 March 2007 to approximately 42 days for the year ended 31 March 2008. There was an increase in trade payables turnover days because the Group continued to increase its portion of procurement from suppliers in the PRC during the year which usually offered longer credit periods than those overseas suppliers. The PRC suppliers offered, in general, credit periods range within 15 days to 90 days after end of the month in which the relevant purchase occurred. However, payments to overseas suppliers were by letter of credit at sight. In view of the increasing raw paper price trend, it was the intention of the management to procure more raw paper than usual to avoid increasing production costs.

Other payables

Other payables were approximately HK$28.8 million as at 31 March 2008 as compared with approximately HK$24.6 million as at 31 March 2007. Other payables as at 31 March 2008 comprised of accrued expenses, receipts in advance from customers, provision for social security fund and others of approximately HK$11.5 million, HK$2.1 million, HK$8.3 million and HK$6.9 million respectively. Increase in other payables for approximately HK$4.2 million was mainly due to increase in provision for social security fund of approximately HK$1.8 million to HK$8.3 million as at 31 March 2008 from HK$6.5 million in 2007, and increase in others by approximately HK$2.2 million to HK$6.9 million as at 31 March 2008 from HK$4.7 million in 2007. Such increase in provision for social security fund was due to the Group's additional provision for insufficient provision and contribution of social security fund for the staff of Come Sure Shenzhen and Wah Ming during the year. For details, please refer to the sub-section headed "Insurance" under the section headed "Business" in this document. Receipts in advance from customers increased by approximately HK$0.9 million to HK$2.1 million as at 31 March 2008 from HK$1.2 million in 2007, which was partly offset by slight decrease in accrued expenses of approximately HK$0.7 million as at 31 March 2008. Accrued expenses included mainly accruals for audit and taxation fee, rental expenses, transportation expenses, utility expenses and wages and messing for staff. Others mainly included accruals for purchase of machineries, accruals for expenses and other miscellaneous.

Inventories turnover days

The inventory turnover days increased to 45 days for the year ended 31 March 2008 from 42 days for the year ended 31 March 2007. The market price of raw paper experienced significant fluctuation during the year and the Director expected a further price increase of raw paper during the year ended 31 March 2008. To avoid being affected by the increasing raw paper price, the Group procured more raw paper during the last few months of the year ended 31 March 2008. As a result, the inventory turnover days slightly increased by 3 days.

Gearing ratio

Gearing ratio was approximately 20.0% for the year ended 31 March 2008 as compared with approximately 27.1% for the year ended 31 March 2007. Decrease in gearing ratio was mainly due to the Group's net repayment of bank borrowings of approximately HK$16.3 million during the year ended 31 March 2008. In view of the continuing appreciation of RMB against HK$, the management repaid all the bank borrowings denominated in RMB during the year ended 31 March 2008. As at 31 March 2008, total bank borrowings were approximately HK$95.9 million, as compared with that of approximately HK$112.7 million as at 31 March 2007.

Year ended 31 March 2007 compared to year ended 31 March 2006

Turnover

Turnover of the Group for the year ended 31 March 2007 was approximately HK$643.2 million, representing an increase of HK$68.3 million or 11.9% from approximately HK$574.9 million for the year ended 31 March 2006. The Group's turnover comprised of the sale of corrugated paperboards, paper-based packaging products and substandard paperboards and scraps which accounted for 42.2%, 55.2% and 2.6% respectively of the Group's turnover for the year ended 31 March 2007. For the year ended 31 March 2006, corrugated paperboards, paper-based packaging products and substandard paperboards and scraps accounted for approximately 43.8%, 53.5% and 2.7% of the Group's turnover respectively.

Turnover contributed by the sale of corrugated paperboards was approximately HK$271.2 million for the year ended 31 March 2007, as compared with approximately HK$251.7 million in 2006. The average selling price per tonne and total quantity sold of corrugated paperboards increased by approximately 2.0% and 5.6% respectively for the year ended 31 March 2007 from that in 2006. During the year ended 31 March 2007, the Group managed to enlarge its customer base to increase production and to increase its average selling price moderately.

Turnover contributed by the sale of paper-based packaging products was approximately HK$355.4 million for the year ended 31 March 2007 compared to approximately HK$307.6 million in 2006, representing an increase of HK$47.8 million or 15.5%. The total quantity of paper-based packaging products sold and the average selling price per tonne for the year ended 31 March 2007 increased by approximately 12.0% and 3.2% respectively from that in 2006. The Directors believe that the Group managed to offer an attractive selling price to customers and provide high quality products which in turn received more orders of paper-based packaging products from customers.

Turnover contributed by the sale of substandard paperboards and scraps for the year ended 31 March 2007 was approximately HK$16.6 million, as compared with approximately HK$15.5 million in 2006. Turnover increased by approximately HK$1.1 million or 7.1% because more scraps were generated accordingly as total production increased. Substandard paperboards and scraps accounted for approximately 2.6% of the Group's turnover for the year ended 31 March 2007 as compared with 2.7% in 2006.

Turnover attributable to domestic delivery export, domestic sales and direct export was approximately 76.9%, 22.6% and 0.5% respectively for the year ended 31 March 2007, as compared with approximately 82.0%, 17.6% and 0.4% in 2006. In view of the continuing boost in the PRC economy and appreciation of RMB against other currencies, the Group approached more domestic consumer product manufacturers and thus more turnover was generated from such domestic sales.

Cost of goods sold

For the year ended 31 March 2007, cost of goods sold was approximately HK$517.8 million, representing an increase of HK$51.5 million or 11.0% from approximately HK$466.3 million in 2006. Increase in cost of goods sold was mainly due to increase in raw materials and consumables of approximately HK$49.8 million, labour costs of approximately HK$0.9 million and subcontracting expenses of approximately HK$2.0 million. Increase in raw materials and consumables of approximately 12.6% and the increase in cost of goods sold of approximately 11.0% was in line with the increase in turnover. The management managed to control the direct overhead costs and cost of goods sold efficiently.

Gross profit and gross profit margin

Gross profit and gross profit margin was approximately HK$125.4 million and 19.5% for the year ended 31 March 2007 as compared with approximately HK$108.6 million and 18.9% in the previous year. Such improvement was mainly due to stringent control in labour cost and use of raw materials by the Group.

Other income

For the year ended 31 March 2007, other income amounted to approximately HK$1.8 million which represented a decrease of approximately HK$1.2 million or 40.0% from approximately HK$3.0 million for the year ended 31 March 2006. Such decrease was mainly due to decrease in reversal of allowance for bad and doubtful debts of approximately HK$1.3 million during the year.

Selling, administrative and other operating expenses

For the year ended 31 March 2007, selling expenses was approximately HK$21.4 million, representing an increase of approximately HK$3.0 million or 16.3% from approximately HK$18.4 million in 2006. As driven by the turnover growth during the year ended 31 March 2007, delivery expenses and commission paid increased by approximately HK$2.4 million and HK$0.5 million respectively for the year ended 31 March 2007 as compared with that in 2006. The Group managed to keep selling expenses at a stable proportion to turnover of approximately 3.3% and 3.2% for the years ended 31 March 2007 and 2006 respectively.

Administrative expenses increased by HK$3.1 million or 8.7% to approximately HK$38.7 million for the year ended 31 March 2007 from approximately HK$35.6 million in 2006. Such increase was mainly attributable to increase in staff cost of HK$0.7 million due to increase in salaries, increase in Directors emoluments of approximately HK$0.8 million and net exchange loss of approximately HK$0.9 million due to appreciation of RMB to HK$ and USD during the year.

Other operating expenses increased by HK$2.2 million to approximately HK$4.6 million for the year ended 31 March 2007 from approximately HK$2.4 million in 2006. The increase was mainly due to the legal and professional expenses of approximately HK$3.5 million incurred. In addition, gain on disposal of property, plant and equipment of approximately HK$14,000 was recorded for the year ended 31 March 2007 as compared with loss on disposal of property, plant and equipment of approximately HK$1.3 million in 2006.

Finance costs

For the year ended 31 March 2007, the total finance costs incurred by the Group were approximately HK$10.0 million, representing an increase of HK$2.6 million or 35.1% from that in 2006. Such increase was mainly due to increase in interest on bank borrowings of approximately HK$2.9 million. The average interest rates of short-term bank borrowings were 6.01% and 6.03% per annum at 31 March 2007 and 2006 and the average interest rates of long term borrowings were approximately 5.65% and 6.25% per annum at 31 March 2007 and 2006 respectively. Increase in interest on bank borrowings was due to the higher average bank borrowings balance for the year ended 31 March 2007 than that in 2006. Certain short-term bank borrowings was borrowed before the end of financial year 2006 to settle the amount due to directors, and was subsequently repaid in the financial year 2007.

Income tax

Income tax increased by approximately HK$1.6 million from approximately HK$1.6 million for the year ended 31 March 2006 to approximately HK$3.2 million for the year ended 31 March 2007. Effective tax rate increased from approximately 3.5% for the year ended 31 March 2006 to 6.1% for the year ended 31 March 2007. Increase in income tax was mainly due to the increase in provision for Hong Kong profits tax from approximately HK$18,000 in 2006 to approximately HK$1.0 million in 2007, and increase in provision for PRC enterprise income tax from approximately HK$0.8 million in 2006 to approximately HK$1.1 million in 2007.

There was an increase in provision for Hong Kong profits tax principally because previous operating loss arising from Come Sure Development was fully utilized in 2007. Slight increase in provision for PRC enterprise was mainly due to change in applicable enterprise income tax rates. Applicable enterprise income tax rate for the period from 1 January 2007 to 31 March 2007 was 15% and for the period from 1 April 2006 to 31 December 2006 was 10%. Applicable enterprise income tax for the period from 1 April 2005 to 31 March 2006 was 10%. Tax refund was approximately HK$622,000 and HK$606,000 for the year ended 31 March 2006 and 2007 respectively. As the value of exported goods was over 70% of the total sales turnover for the period from 1 April 2005 to 31 December 2006, Come Sure Shenzhen was qualified as an export-oriented enterprises and entitled for a reduced enterprise income tax rate of 10% for the relevant periods.

Profit for the year and net profit margin

Due to the aforesaid increase in selling and administrative expenses, finance costs and income tax expenses, profit for the year was approximately HK$49.3 million for the year ended 31 March 2007, resulting a profit margin of 7.7%, as compared with the profit for the year and profit margin of approximately HK$46.1 million and 8.0% in 2006.

Current ratio

The current ratio for the year ended 31 March 2007 was 1.4 as compared with that of 1.1 in 2006. Improvement in current ratio was mainly due to the net repayment of bank borrowings during the year ended 31 March 2007 of approximately HK$79.2 million, resulting in a lower level of short-term bank borrowings and current liabilities.

Trade receivables and trade receivables turnover days

Trade receivables were approximately HK$144.8 million and HK$141.9 million as at 31 March 2007 and 31 March 2006 respectively, of which approximately HK$50.1 million and HK$65.1 million were overdue for the respective year. Please refer to paragraphs headed "Trade receivables and trade receivables turnover days" under sub-section headed "Year ended 31 March 2008 compared to year ended 31 March 2007" for reasons of overdue.

The trade receivables turnover days for the year ended 31 March 2007 was approximately 81 days as compared with 80 days in 2006. The trade receivables turnover days for the year ended 31 March 2007 of 81 days was within the range of the credit periods granted to customer of 15 days to 120 days after end of the month in which the relevant sales occurred.

Other receivables

Other receivables mainly included deposits paid, prepayments and others of approximately HK$3.8 million, HK$0.9 million and HK$3.4 million as at 31 March 2007 respectively. As at 31 March 2006, approximately HK$9.7 million, HK$2.4 million and HK$1.4 million was recorded for deposits paid, prepayments and others respectively. Decrease in deposits paid as at 31 March 2007 was mainly due to disposals of subsidiaries which had paid a deposit of approximately HK$6.0 million in relation to the acquisition of a piece of land in Huidong. Decrease in prepayments was mainly due to the charging to income statement of legal and professional fees of approximately HK$2.0 million in 2006. Others mainly included temporary advances to transportation service provider, advance to marketing and external affair staff and advance for market research expenses.

Trade payables and trade payables turnover days

Trade payables were approximately HK$52.6 million and HK$41.2 million as at 31 March 2007 and 31 March 2006 respectively. The trade payables turnover days for the year ended 31 March 2007 was approximately 33 days as compared with 27 days in 2006. Such increase was mainly due to the Group's increase its proportion of procurement from suppliers in the PRC during the year which offered longer credit periods in general than that offered by the suppliers overseas. Normally, the Group settled the procurement from overseas suppliers by letter of credit at sight.

Other payables

Other payables mainly included accrued expenses, receipts in advance from customers, provision for social security fund and others of approximately HK$12.2 million, HK$1.2 million, HK$6.5 million and HK$4.7 million as at 31 March 2007 respectively. As at 31 March 2006, accrued expenses, receipts in advance from customers, provision for social security fund and others of approximately HK$11.9 million, HK$0.2 million, HK$5.1 million and HK$4.8 million were recorded respectively. Increase in other payables was mainly due to increase in provision for social security fund of HK$1.4 million in view of the Group's insufficient provision for and contribution to social security fund for the staff of Come Sure Shenzhen and Wah Ming during the year. For details, please refer to the sub-section headed "Insurance" under the section headed "Business" in this document. There was an increase in receipts in advance from customers of approximately HK$1.0 million as the Group required customers with short business relationship to make advance payment before accepting orders from them.

Inventories turnover days

The inventories turnover days for the year ended 31 March 2007 was approximately 42 days as compared with 54 days in 2006. The Group increased its proportion of procurement from suppliers in the PRC which required a shorter delivery time as compared than that required by overseas suppliers. As a result, the Group did not have to pile up inventories while enjoying a stable supply of inventories from PRC suppliers.

Gearing ratio

The gearing ratio of the Group was approximately 27.1% for the year ended 31 March 2007, which decreased from approximately 44.5% for the year ended 31 March 2006. The Group had net repayment of bank borrowings of approximately HK$79.2 million during the year ended 31 March 2007. Total bank borrowings was approximately HK$112.7 million as at 31 March 2007, as compared with approximately HK$195.0 million as at 31 March 2006.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The Group generally financed its operations through a combination of shareholders' equity, internally generated funds and bank borrowings.

The following table presents selected cash flow data from the Group's audited consolidated cash flow statements for the Track Record Period:

	Year ended 31 March			Six months ended 30 September	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from operating activities	51,136	112,895	61,034	9,626	13,436
Net cash used in investing activities	(22,979)	(32,770)	(20,188)	(15,699)	(6,390)
Net cash used in financing activities	(23,550)	(91,941)	(38,906)	14,879	(21,000)
Net increase/(decrease) in cash and cash equivalents	4,607	(11,816)	1,940	8,806	(13,954)
Effect of foreign exchange rate changes	1,259	2,212	13,971	4,507	6,446
Cash and cash equivalents at the beginning of year	43,466	49,332	39,728	39,728	55,639
Cash and cash equivalents at the end of year	49,332	39,728	55,639	53,041	48,131

Six months ended 30 September 2008 compared to six months ended 30 September 2007

The Group generated cash inflow from operating activities from receipt of cash from manufacturing and sale of corrugated paperboards, paper-based packaging products and substandard paperboards and scraps to customers. Cash outflow from operating activities mainly represented amounts paid to suppliers for purchase of raw paper and payment of production overheads and operating expenses.

For the six months ended 30 September 2008, the Group had a net cash inflow from operating activities of approximately HK$13.4 million as compare with approximately HK$9.6 million for the same period in 2007, representing an increase of net cash inflow from operating activities of approximately HK$3.8 million. Increase in net cash inflow from operating activities for the six months ended 30 September 2008 was mainly contributed by increase in profit before tax from approximately HK$29.4 million for the six months ended 30 September 2007 to approximately HK$41.4 million for the six months ended 30 September 2008. Apart from increase in profit before tax, decrease in inventories by approximately HK$10.9 million, increase in trade receivables of approximately HK$32.7 million and decrease in trade payables of approximately HK$19.2 million also have impacts on the net cash generated from operating activities for the six months ended 30 September 2008.

Cash outflows from investing activities mainly represented payment for purchase of property, plant and equipment, proceeds from disposals of property, plant and equipment as well as changes in pledged bank deposits. The Group recorded a net cash outflow in investing activities of approximately HK$6.4 million for the six months ended 30 September 2008 as compared with a net cash outflow of approximately HK$15.7 million for the six months ended 30 September 2007. Such decrease in net cash outflow from investing activities for the six months ended 30 September 2008 was mainly due to the Group reduced its purchase of property, plant and equipment to approximately HK$5.1 million and increase in pledged bank deposits of approximately HK$1.5 million offset by the proceeds from disposals of property, plant and equipment of approximately HK$0.2 million.

Cash outflows from financing activities mainly represented net repayment of trust receipts loans, repayment of bank loans, dividends paid, interest paid and additional bank loans raised. Cash outflows from financing activities were approximately HK$21.0 million for the six months ended 30 September 2008. During the period, the Group paid net trust receipts loans of approximately HK$10.8 million, payment of bank loans of approximately HK$2.9 million, payment of dividends declared for the financial year 31 March 2008 of approximately HK$40.0 million and interest paid of approximately HK$2.3 million. Additional bank loans of approximately HK$35.0 million were raised in August 2008 for general working capital purpose. The Group repaid portion of the trust receipt loans and bank loans and raised new bank loans to facilitate the Group's operation and ensure adequate working capital while not deteriorating the Group's overall debt level or increase the burden of finance costs.

Year ended 31 March 2008 compared to year ended 31 March 2007

For the year ended 31 March 2008, the Group had a net cash inflow from operating activities of approximately HK$61.0 million compared to approximately HK$112.9 million in 2007, representing a decrease of net cash inflow from operating activities of approximately HK$51.9 million. Despite the increase in profit before tax from approximately HK$52.5 million for the year ended 31 March 2007 to approximately HK$67.2 million for the year ended 31 March 2008, the effect of increase in profit before tax was offset by increase in inventories, trade receivables and others and increase in income taxes paid for the year ended 31 March 2008. Significant increase in inventory was mainly because the Group procured more raw paper during the last few months of the year ended 31 March 2008 to avoid being affected by the increasing raw paper price. Increase in trade receivables balances as at 31 March 2008 was mainly because some large orders were placed during the end of financial year 2008 which were not fall due as at 31 March 2008. Increase in income taxes paid of approximately HK$9.9 million from approximately HK$1.4 million for the year ended 31 March 2007 to approximately HK$11.3 million in 2008 was mainly due to the additional enterprise income tax paid to the relevant PRC tax bureau for the additional taxable profits mainly arising from the Group's transfer pricing arrangement of approximately HK$6.8 million (equivalent to RMB6.5 million) covering years ended 31 December 2001 to 2006 in September 2007, details of which are set out under the sub-section headed "Taxation" in this section. In addition, due to an increase in the assessable profits resulting from better performance for the year ended 31 March 2008, an increase in effective tax rate resulting from the discontinued entitlement of the reduced enterprise income tax of 10% as Come Sure Shenzhen was not qualified as an Export-Oriented Enterprise for the year ended 31 December 2007 and the implementation of new tax law in the PRC effective on 1 January 2008, an significant increase in income tax paid was recorded by Come Sure Shenzhen.

Cash outflows from investing activities mainly represented payment for purchases of property, plant and equipment, prepaid land lease payments, proceed from disposals of subsidiaries as well as changes in pledged bank deposits. The Group recorded a net cash outflow in investing activities of approximately HK$20.2 million for the year ended 31 March 2008, compared to a net cash outflow of approximately HK$32.8 million for the year ended 31 March 2007. Such decrease in cash outflow of investing activities was mainly due to decrease in purchases of property, plant and equipment of approximately HK$4.5 million for the year ended 31 March 2008, compared to that in 2007. Also, there was no addition of prepaid land lease payments for the year ended 31 March 2008, but approximately HK$3.5 million for the year ended 31 March 2007. Drop of increase in pledged bank deposits of approximately HK$4.8 million was recorded for the year ended 31 March 2008 compared to that in 2007.

Cash outflows from financing activities mainly represented raise/repayment of bank loans, advance from/repayment to directors, advance from/repayment to related companies, dividends paid and interest paid. The Group recorded a net cash outflow in financing activities of approximately HK$38.9 million for the year ended 31 March 2008 as compared to approximately HK$92.0 million for the year ended 31 March 2007. Decrease in outflow from financing activities for the year ended 31 March 2008 was mainly due to decrease in net repayment of bank loans of approximately HK$28.8 million, decrease in net repayment to directors of approximately HK$13.3 million and decrease in repayment of trust receipts loans of approximately HK$34.2 million.

Year ended 31 March 2007 compared to year ended 31 March 2006

For the year ended 31 March 2007 the Group had a net cash inflow from operating activities of approximately HK$112.9 million compared to approximately HK$51.1 million in 2006, representing an increase of net cash inflow from operating activities of approximately HK$61.8 million. Profit before tax for the year ended 31 March 2007 was approximately HK$52.5 million, compared to profit before tax for the year ended 31 March

2006 of approximately HK$47.7 million. In addition to increase in profit before tax and decrease in inventories contributed to the increased cash inflow from operating activities. Decrease in inventories was mainly due to the Group's shift of procurement from overseas suppliers to suppliers in the PRC which required a shorter delivery time, thus the Group did not have to pile up inventories while enjoying stable supply of raw paper from the PRC suppliers.

For the year ended 31 March 2007, the Group recorded cash outflows from investing activities of approximately HK$32.8 million compared to approximately HK$23.0 million in 2006. Increase in cash outflows from investing activities was mainly due to increase in purchases of property, plant and equipment of approximately HK$11.8 million. During the year ended 31 March 2007, two advanced machineries were purchased by the Group.

For the year ended 31 March 2007, the Group recorded cash outflow from financing activities of approximately HK$92.0 million compared to approximately HK$23.6 million in 2006. Increase in cash outflows from financing activities was mainly due to increase in repayment of trust receipts loans, bank loans and interest paid offset by increase in cash inflows from issuing shares to Rich Growth for approximately HK$23.3 million.

Net current assets

As at 31 March 2006, 31 March 2007, 31 March 2008 and 30 September 2008, the Group had current assets of approximately HK$306.9 million, HK$278.8 million, HK$343.9 million and HK$359.2 million respectively. The Group financed its working capital needs principally from cash provided by operations and cash on hand, while raising the remaining primarily through short-term and long term bank borrowings. As at 31 March 2006, 31 March 2007, 31 March 2008 and 30 September 2008, the Group had current liabilities of approximately HK$280.1 million, HK$192.5 million, HK$228.6 million and HK$193.8 million respectively.

The Group had net current assets of approximately HK$26.8 million, HK$86.4 million, HK$115.2 million and HK$165.4 million as at 31 March 2006, 31 March 2007, 31 March 2008 and 30 September 2008 respectively. The increase in net current assets as at 31 March 2007 as compared to that as at 31 March 2006, was mainly due to repayment of short-term bank borrowings. The increase in net current assets as at 31 March 2008 as compared to 31 March 2007, was mainly due to further decrease in short-term bank borrowings and decrease in current tax liabilities. Continuing increase in net current assets as at 30 September 2008 as compared to that as at 31 March 2008 was mainly due to increase in trade and other receivables and decrease in trade and other payables offset by increase in short-term bank borrowings.

As at [31 December 2008], the Group had current assets mainly comprising inventories, prepaid land lease payment, trade and other receivables, pledged bank deposits and bank and cash balances of approximately HK$[66.5] million, HK$[0.2] million, HK$[204.9] million, HK$[39.4] million and HK$[48.1] million respectively and current liabilities mainly comprising trade and other payables, short-term bank borrowings, current tax liabilities and current portion of long term borrowings of approximately HK$[79.5] million, HK$[105.7] million, HK$[3.4] million and HK$[5.2] million respectively. The Group recorded net current assets of approximately HK$[165.4] million.

Financial resources

The operations of the Group were financed principally by shareholders' equity and internally generated funds and bank borrowings.

Directors' opinion on sufficiency of working capital

Taking into account the financial resources available to the Group, including internally generated funds, the Directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

Funding and treasury policies

The Group negotiates with banks to obtain banking facilities according to the Group's development plans. All the banking facility letters and loan agreements should be approved and signed by the Directors. For repayment arrangements, the accounting department will keep track of the status to ensure that the bank borrowings can be repaid on time. The Group will generally deposit the cash surplus into the bank as general working capital. As at the Latest Practicable Date, the Group does not have any significant funding and treasury policy in respect of investment of its cash surplus.

INDEBTEDNESS

Borrowings

The Group's borrowings as at the dates indicated are set out in the table below.

		As at 31 March		As at 30 September
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Long term borrowings				
Bank loans	6,046	10,925	13,975	11,028
Finance lease payable	3,846	1,013	–	–
	9,892	11,938	13,975	11,028
Short-term bank borrowings				
Bank overdrafts	297	–	509	–
Trust receipts loans	82,240	45,266	42,464	31,666
Short-term bank loans	102,596	55,500	39,000	74,000
	185,133	100,766	81,973	105,666
Total borrowings	195,025	112,704	95,948	116,694

As at 31 March 2006, 2007, 2008 and 30 September 2008, the carrying amounts of short-term borrowings were denominated in HK$, RMB and US$. The bank loans were arranged at floating rates. As at 31 March 2006, 2007, 2008 and 30 September 2008, the average interest rate for short-term bank borrowings were 6.03% per annum, 6.01% per annum, 3.47% per annum and 5.67% per annum respectively and the average interest rate for long-term bank loans were 6.25% per annum, 5.65% per annum, 3.37% per annum and 5.70% per annum respectively.

The Group generally uses the payments received from customers from time to time to partly settle the Group's borrowings. Fluctuation of the Group's borrowing levels as at 31 March 2006, 2007, 2008 and 30 September 2008 was therefore caused by the amount of payments the Group received from its customers, which the Group intended to use for the bank loan payments by the end of each financial year.

As at 30 September 2008, the carrying amounts of bank borrowings are denominated in the following currencies.

	HK$	**RMB**	**US$**	**Total**
	HK$'000	*000*	*000*	*HK$'000*
Long term borrowings				
Bank loans	11,028	–	–	11,028
Finance lease payable	–	–	–	–
	11,028	–	–	11,028
Short-term bank borrowings				
Bank overdrafts	–	–	–	–
Trust receipts loans	29,228	–	2,438	31,666
Short-term bank loans	74,000	–	–	74,000
	103,228	–	–	105,666
Total borrowings	114,256	–	2,438	116,694

The maturity profile of the Group's total bank borrowings (excluding finance lease payables) is set out in the table below.

		As at 31 March		**As at 30 September**
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	188,172	104,800	87,512	110,851
In the second year	1,534	3,413	5,185	4,074
In the third to fifth year, inclusive	1,473	3,478	3,251	1,769
	191,179	111,691	95,948	116,694

As at 31 March 2006, 2007, 2008 and 30 September 2008, certain bank deposits and prepaid land lease payments amounting to HK$28.1 million, HK$36.1 million, HK$39.4 million and HK$40.9 million respectively were pledged to banks to secure the general banking facilities granted to the Group.

As at [31 December 2008], being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this document, the total amount of banking facilities was approximately HK$[●] million (of which approximately HK$[●] million was utilised) and the Group had total outstanding bank borrowings of approximately HK$[●] million. The borrowings comprised bank overdrafts and loans of approximately HK$[●] million and trust receipt loans of approximately HK$[●] million.

Securities and guarantees

As at [31 December 2008], all of the Group's bank borrowings were secured by:

(a) pledged bank deposits of the Group of approximately HK$[●] million;

(b) personal guarantees provided by Mr. Chong and Mr. Chong Wa Pan;

(c) certain properties owned by Mr. Chong, Wholly Rise Limited and Come Sure Trading Limited (related companies in which Mr. Chong and Mr. Chong Wa Pan have beneficial interests);

(d) corporate guarantee provided by Come Sure Trading Company Limited; and

(e) prepaid land lease payments and buildings of the Group of approximately HK$[●] million situated in Hong Kong.

Release of legal charges and guarantees

The Group [has received in principle written consents from relevant banks] that all securities and guarantees provided by the above connected persons of the Company (as defined in the [●]) in relation to banking facilities as mentioned in (b) to (d) above will be released and will be replaced by corporate guarantees and/or other collaterals provided by the Company and/or other members of the Group.

Contingent liabilities

As at [31 December] 2008, the Group had no significant contingent liabilities.

Commitments

As at [31 December] 2008, the Group had capital commitments for property, plant and equipment of approximately HK$[●].

As at [31 December] 2008, the Group had operating lease commitments of approximately HK$[●] million.

Disclaimers

Save as disclosed above and apart from normal trade payables and bank borrowings, the Group did not have any outstanding loan capital issued or agreed to be issued loans, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the close of business on [30 September] 2008.

The Directors confirm that there has been no material change in the Group's indebtedness, commitments and contingent liabilities since 30 September 2008.

MARKET RISKS

The Group is exposed to various types of market risk in the normal course of business, including the following:

Interest rate risk

The Group's borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. As at 31 March 2006, 31 March 2007, 31 March 2008 and 30 September 2008, the Group has both short-term and long term bank borrowings. However, as most of the Group's borrowings are short-term and due within one year, the Group has to obtain new borrowings each year. To the extent interest rates rise, the cost of refinancing will increase. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 25 and note 27 in "Appendix I – Accountants' Report of the Group" to this document.

Historically, the Group has not used any interest rate swaps to hedge exposure to interest rate risk.

Foreign currency risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective group entities, such as HK$, US$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

Inflation risk

Although in recent year, the PRC has not experienced significant inflation, there are signs that inflation in the PRC is increasing. However, inflation has not had a significant effect on our business during the past three years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general A consumer price index, was approximately 4.7% in 2007 and 1.5% in 2006. The Directors consider that, as at the Latest Practicable Date, the Group has not been materially affected by any inflation or deflation.

DIVIDENDS AND DIVIDEND POLICY

For the three years ended 31 March 2008 and the six months ended 30 September 2008, dividends of approximately HK$60 million, HK$30 million, HK$40 million and nil respectively were declared. All these dividends were made out of the internal resources of the Group.

It is the present intention of the Directors that the Company will declare interim and/or final dividends equivalent to approximately 30% to 40% in total of the audited consolidated profit for the year of the Group each year for the two years ending 31 March 2010, whilst the amount of dividends to be declared will be subject to, the full discretion of the Directors, taking into consideration, among others, the amount of earnings, financial position, cash requirements and availability of the Group as well as the provisions of applicable laws and regulations and other relevant factors. Potential investors should note that historical dividend distributions are not indicative of the future dividend distribution policy of the Company.

DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 10 March 2006. The Company had a total of approximately HK$[198.8] million of reserve available for distribution to the Shareholders as at 30 September 2008.

PROPERTY INTERESTS

Grant Sherman Appraisal Limited, an independent property valuer, has valued the Group's property interests (excluding the Huidong Land) as of [31 December 2008] at approximately HK$[32.9] million. The Huidong Land, which was acquired through the acquisition of the entire issued share capital of Century Shiny on [●] January 2009, has been valued at approximately HK$[24.5] million as of [31 December 2008]. The texts of its letter, summary of valuation and the valuation certificates are set out in Appendix [IV] to this document.

A reconciliation of the net book value of the relevant property interests including land and buildings, investment properties and land use rights as of 30 September 2008 to their fair value as of [31 December] 2008 as stated in Appendix [IV] to this document is as follows:

	HK$ in '000
Net book value of the property interests including land and buildings, investment properties and land use rights as of 30 September 2008 included in the Accountants' Report set out in Appendix I to this document	[15,163]
Less: Amortization for the [3] months ended [31 December] 2008 (unaudited)	[39]
Depreciation for the [3] months ended [31 December] 2008 (unaudited)	[117]
Net book value as of [31 December] 2008 (unaudited)	[15,007]
Fair value as of [31 December] 2008	[32,920]
Net valuation surplus	[17,913]

The Group holds a property comprising two units in Chai Wan in Hong Kong with a total gross floor area of approximately [300 sq.m.] which is occupied by the Group for non-domestic use. The Group also holds two car parking spaces in Peacock Road, Hong Kong, one of which is vacant and the other one is leased to an Independent Third Party respectively.

The Group holds a property comprising an industrial complex erected on a parcel of land with an area of approximately 26,678.7 sq.m. in Shenzhen, Guangdong Province, the PRC with a total gross floor area of approximately [14,256.1 sq.m.] which is occupied by the Group for production, warehouse, office and staff quarters uses.

Details relating to the Group's property interests are set out in Appendix [IV] to this document.

NO MATERIAL ADVERSE CHANGE

[The Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Group since 30 September 2008, the date to which the latest audited financial statements of the Group were prepared as set out in Appendix I to this document.]