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TRADING RECORD

The following table is a summary of the combined results of the Group for each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, prepared on the basis that the current structure of the Group was in existence throughout the period under review. The summary should be read in conjunction with the accountants' report set out in Appendix I to this document.

	Year ended 31 March			Five months ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
REVENUE	[740,850]	[818,303]	[903,560]	[273,724]	[334,507]
Cost of sales	<u>[(573,484)]</u>	<u>[(619,839)]</u>	<u>[(665,159)]</u>	<u>[(205,971)]</u>	<u>[(260,442)]</u>
Gross profit	[167,366]	[198,464]	[238,401]	[67,753]	[74,065]
Other income and gains	[3,063]	[10,907]	[25,109]	[19,770]	[716]
Fair value gain/(loss) on investment properties	[1,060]	[3,351]	[9,070]	[600]	[(8,749)]
Deficit on revaluation of property, plant and equipment	-	-	-	-	[(459)]
Selling and distribution costs	[(118,140)]	[(138,782)]	[(124,529)]	[(42,754)]	[(45,960)]
Administrative expenses	[(12,842)]	[(14,791)]	[(16,993)]	[(5,378)]	[(6,216)]
Finance costs	<u>[(15,218)]</u>	<u>[(15,004)]</u>	<u>[(14,984)]</u>	<u>[(5,660)]</u>	<u>[(6,125)]</u>
PROFIT BEFORE TAX	[25,289]	[44,145]	[116,074]	[34,331]	[7,272]
Tax	<u>[(10,008)]</u>	<u>[(10,075)]</u>	<u>[(14,215)]</u>	<u>[(6,604)]</u>	<u>[(2,456)]</u>
PROFIT FOR THE YEAR/PERIOD	<u>[15,281]</u>	<u>[34,070]</u>	<u>[101,859]</u>	<u>[27,727]</u>	<u>[4,816]</u>
DIVIDENDS	<u>[-]</u>	<u>[22,000]</u>	<u>[75,000]</u>	<u>[-]</u>	<u>[-]</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
- Basic (HK cents)	<u>[5.09]</u>	<u>[11.36]</u>	<u>[33.95]</u>	<u>[9.24]</u>	<u>[1.61]</u>
- Diluted (HK cents)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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CRITICAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Group's combined financial statements are in accordance with accounting principles generally accepted in Hong Kong and conform with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations. A summary of the principal accounting policies used in the preparation of the Group's combined financial statements is set forth in the accountants' report set out in Appendix I to this document. The Group's reported financial performance and financial conditions are sensitive to accounting policies, judgements, estimates and assumptions that underlie the preparation of the combined financial statements. In reporting the Group's financial performance and conditions, the Directors are required to exercise their judgements, estimates and assumptions based on their experience, their knowledge of other companies in the industry and on other assumptions that they consider reasonable. The Directors believe that the following critical accounting policies involved the most significant judgements, estimates and assumptions used in the preparation of the Group's financial statements.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) management fee income, when the services have been rendered;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

The Group's financial statements are presented in Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Investors should read the following management discussion and analysis in conjunction with the combined audited financial statements of the Group for the Track Record Period, all of which is set forth in the accountants' report set out in Appendix I to this document (the "Financial Information"). Except for the Financial Information, the remainder of the Group's financial information presented herein has been extracted or derived from other financial records of the Group which the Directors have taken a reasonable amount of care to prepare. Investors should read the whole of the accountant's report and not rely merely on the financial synopsis contained in this section.

Overview of major income statement items of the Group

Revenue

Revenue of the Group represents the sales of dried cassava chips to external customers in the PRC. Sales can be divided into two categories:

- (i) sales from warehouses, where dried cassava chips procured from farmers, processors and traders will first be stored at the Group's leased warehouses in Thailand before the Group arranges for shipment to different customers; and
- (ii) direct sales, where, either before or after the receipt of a purchase order, the Group will enter into a sourcing contract with one of its suppliers for dried cassava chips and the products will be shipped to the designated port of delivery to the Group's customers without being stored in the Group's leased warehouses in Thailand.

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The following table sets out the analysis of the revenue of the Group during the Track Record Period for analysis purpose:

(i) By average unit selling price:

	Year ended 31 March						Five months ended 31 August			
	2006		2007		2008		2007		2008	
	Average unit selling price (HK\$ per tonne)	Gross profit margin %	Average unit selling price (HK\$ per tonne)	Gross profit margin %	Average unit selling price (HK\$ per tonne)	Gross profit margin %	Average unit selling price (HK\$ per tonne)	Gross profit margin %	Average unit selling price (HK\$ per tonne)	Gross profit margin %
Sales from warehouses	[978]	[26.0]	[1,009]	[26.2]	[1,380]	[27.8]	[1,119]	[26.3]	[1,679]	[27.7]
Direct sales	[973]	[14.0]	[1,006]	[15.1]	[1,283]	[22.1]	[1,138]	[22.9]	[1,696]	[14.6]
Average unit selling price	[976]	[22.6]	[1,008]	[24.3]	[1,355]	[26.4]	[1,128]	[24.8]	[1,686]	[22.1]

Average unit selling price

The increase in the average unit selling price of dried cassava chips during the Track Record Period was in line with the increasing trend of the F.O.B. price of dried cassava chips in Thailand in the respective years or periods.

The average unit selling price of the Group's sales from warehouse in the financial year 2007 increased by approximately HK\$[31] per tonne, or [3.2]%, to approximately HK\$[1,009] per tonne from approximately HK\$[978] per tonne in the financial year 2006. The average unit selling price in the financial year 2008 increased by approximately HK\$[371] per tonne, or [36.8]%, to approximately HK\$[1,380] per tonne from approximately HK\$[1,009] per tonne in the financial year 2007. The average unit selling price of the Group's sales from warehouse in the five months ended 31 August 2008 increased by approximately HK\$[560] per tonne, or [50.0]% to approximately HK\$[1,679] per tonne from approximately HK\$[1,119] per tonne in the five months ended 31 August 2007.

The average unit selling price of the Group's direct sales in the financial year 2007 increased by approximately HK\$[33] per tonne, or [3.4]%, to approximately HK\$[1,006] per tonne from approximately HK\$[973] per tonne in the financial year 2006. The average unit selling price in the financial year 2008 increased by approximately HK\$[277] per tonne, or [27.5]%, to approximately HK\$[1,283] per tonne from approximately HK\$[1,006] per tonne in the year 2007. The average unit selling price of the Group's direct sales in the five months ended 31 August 2008 increased by approximately HK\$[558] per tonne, or [49.0]% to approximately HK\$[1,696] per tonne from approximately HK\$[1,138] per tonne in the five months ended 31 August 2007.

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(ii) By sales volume:

	Year ended 31 March						Five months ended 31 August			
	2006		2007		2008		2007		2008	
	(tonnes)	(%)	(tonnes)	(%)	(tonnes)	(%)	(tonnes)	(%)	(tonnes)	(%)
Sales from warehouse	[542,637]	[71.5]	[667,442]	[82.2]	[490,553]	[73.5]	[132,517]	[54.6]	[114,397]	[57.7]
Direct sales	[216,137]	[28.5]	[144,172]	[17.8]	[176,507]	[26.5]	[110,247]	[45.4]	[83,983]	[42.3]
Total	[758,774]	100.0	[811,614]	100.0	[667,060]	100.0	[242,764]	100.0	[198,380]	100.0

The total quantity of dried cassava chips sold in the financial year 2007 amounted to approximately [811,614] tonnes, representing an increase of approximately [52,840] tonnes, or [7.0]%, when compared with that of approximately [758,774] tonnes in the financial year 2006. In order to enhance the overall gross profit margin, the Group focused on the sales from warehouse which generated a higher average margin of approximately [26.2]% than the direct sales with average gross profit margin of approximately [15.1]% in the financial year 2007. As the sales from warehouse generally has a longer cash conversion cycle and requires a higher amount of working capital, the Group's total sales quantity in the financial year 2007 increased only by [7.0]%.

The total quantity of dried cassava chips sold in the financial year 2008 amounted to approximately [667,060] tonnes, representing a decrease of approximately [144,554] tonnes, or [17.8]%, when compared with that of approximately [811,614] tonnes in the financial year 2007. Based on the information from the newsletters of TTTA, the total export of dried cassava chips from Thailand decreased by approximately [57.0]% from approximately [4.49] million tonnes for the 12 months period ended 31 March 2007 to approximately [1.93] million tonnes for the 12 months period ended 31 March 2008. Such decrease was mainly because of the supply of dried cassava chips from Thailand squeezed by the sudden surge in demand of cassava hard pellets in Europe. This resulted in a surge in the cost and selling prices of dried cassava chips as well as a drop in exports of dried cassava chips from Thailand to the PRC. Accordingly, for the financial year 2008, having considered the significant increase in both the costs and selling prices of dried cassava chips, the Group has engaged in more direct sales which generally requires less working capital in order to mitigate the market risks from holding excessive inventories.

The total quantity of dried cassava chips sold in the five months ended 31 August 2008 amounted to approximately [198,380] tonnes, representing a decrease of approximately [44,384] tonnes or [18.3]% when compared with that of approximately [242,764] tonnes in the five months ended 31 August 2007. Based on the information from the newsletters of TTTA, the total export of cassava chips from Thailand to the PRC decreased by approximately [54.6]% from approximately [1,110,234] tonnes for the five months ended 31 August 2007 to approximately

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[503,522] tonnes for the five months ended 31 August 2008. Such decrease was mainly because the supply of dried cassava chips from Thailand during the five months ended 31 August 2008 was squeezed by the surge in demand of cassava hard pellets in Europe during the previous harvest season.

The Group has maintained its leading position in the PRC as the largest supplier of imported dried cassava chips from Thailand with market share of approximately [25.7]%, [20.6]% and [23.4]%, based on the information of the total account of cassava chips exported from Thailand to the PRC as set out in the TTTA's annual reports and the total amount of cassava chips sold by the Group to the PRC market for the relevant years during the three years from 2005 to 2007.

(iii) By types of sales:

The total revenue of the Group is the combination effects of the average unit selling price and the sales volume for the Track Record Period. For the relevant analyses please refer to the paragraph headed "By average unit selling price" and "By sales volume" in the section headed "Overview of major income statement items of the Group".

	2006		Year ended 31 March				Five months ended 31 August			
	HK\$'000	%	2007		2008		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales from warehouse	[530,567]	[71.6]	[673,223]	[82.3]	[677,160]	[74.9]	[148,285]	[54.2]	[192,078]	[57.4]
Direct sales	[210,283]	[28.4]	[145,080]	[17.7]	[226,400]	[25.1]	[125,439]	[45.8]	[142,429]	[42.6]
Total	[740,850]	100.0	[818,303]	100.0	[903,560]	100.0	[273,724]	100.0	[334,507]	100.0

Cost of sales

The following table sets out the breakdown of cost of sales for the Track Record Period.

	2006		Year ended 31 March				Five months ended 31 August			
	HK\$'000	%	2007		2008		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales from warehouse	[392,553]	[68.5]	[496,617]	[80.1]	[488,693]	[73.5]	[109,228]	[53.0]	[138,824]	[53.3]
Direct sales	[180,931]	[31.5]	[123,222]	[19.9]	[176,466]	[26.5]	[96,743]	[47.0]	[121,618]	[46.7]
Total	[573,484]	100.0	[619,839]	100.0	[665,159]	100.0	[205,971]	100.0	[260,442]	100.0

Gross profit and gross profit margin

The following table sets out the breakdown of gross profit for different type of sales for the Track Record Period.

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	Year ended 31 March									Five months ended 31 August					
	2006			2007			2008			2007		2008			
	Average unit selling price	Gross Profit	Gross profit margin	Average unit selling price	Gross Profit	Gross profit margin	Average unit selling price	Gross Profit	Gross profit margin	Average unit selling price	Gross Profit	Gross profit margin	Average unit selling price	Gross Profit	Gross profit margin
	HK\$'000	%		HK\$'000	%		HK\$'000	%		HK\$'000	%		HK\$'000	%	
Sales from warehouse	[978]	[138,014]	[26.0]	[1,009]	[176,606]	[26.2]	[1,380]	[188,467]	[27.8]	[1,119]	[39,057]	[26.3]	[1,679]	[53,254]	[27.7]
Direct sales	[973]	[29,352]	[14.0]	[1,006]	[21,858]	[15.1]	[1,283]	[49,934]	[22.1]	[1,138]	[28,696]	[22.9]	[1,696]	[20,811]	[14.6]
Total	[976]	[167,366]	[22.6]	[1,008]	[198,464]	[24.3]	[1,355]	[238,401]	[26.4]	[1,128]	[67,753]	[24.8]	[1,686]	[74,065]	[22.1]

The overall gross profit margin of the Group was the combination effect of the different sales mix between sales from warehouse and direct sales, which had different gross profit margin during the relevant Track Record Period.

Gross profit margin

Given the increasing price trend of the dried cassava chips, the purchase cost of dried cassava chips in relation to the direct sales was generally higher than that of dried cassava chips which have been bought over a period of time earlier and located in the warehouse. Accordingly, the gross profit margin of direct sales was generally lower than that of the sales from warehouse.

The gross profit margin of the Group's sales from warehouse remained relatively stable for the financial years 2006 and 2007 at approximately [26.0]% and [26.2]% respectively. The approximately [1.6] percentage point increase in the Group's gross profit margin in respect of sales from warehouses from approximately [26.2]% in the financial year 2007 to approximately [27.8]% in financial year 2008 was mainly due to the upward price trend of dried cassava chips in the market and the strategy adopted by the Group, being constantly engaged in holding dried cassava chips at warehouses in a rising price environment. The gross profit margin of the Group's sales from warehouse remained relatively stable for the five months ended 31 August 2007 and 2008 at approximately [26.3]% and [27.7]%. The approximately [1.4] percentage point increase in the Group's gross profit margin in respect of sales from warehouse was mainly due to the upward price trend of dried cassava chips in the market and the strategy adopted by the Group being engaged in holding dried cassava chips at warehouses in a rising price environment.

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The gross profit margin of the Group's direct sales remained relatively stable for the years 2006 and 2007 at approximately [14.0]% and [15.1]% respectively. The gross profit margin of the Group's direct sales for the year 2008 increased by [7.0] percentage points to [22.1]% from [15.1]% for the financial year 2007. This was mainly because the Group has selectively focused on direct sales transactions with higher margin in order to enhance profit in the circumstances of upward price trend of dried cassava chips in the market. The gross profit margin of the Group's direct sales for the five months ended 31 August 2008 decreased by [8.3] percentage points to [14.6]% from [22.9]% for the five months ended 31 August 2007 as the traders made upward adjustments to their price level of dried cassava chips. Therefore, the Group's cost of sales for direct sales were increased, which resulted in a decrease in gross profit margin to approximately [14.6]%.

Generally, the harvest season for cassava roots commences in November and ends in March of each year. For the first half of the Group's financial year, i.e. from April to September, as less dried cassava chips are available from farmers or processors, the Group needs to procure more dried cassava chips from traders in Thailand or other southeast Asian countries to cope with the demand from customers. On the other hand, during the second half of the financial year, the Group prioritizes the sales from warehouse and generally less sales are made through direct sales as compared to the first half of the financial year. Direct sales has a lower gross profit margin than sales from warehouse. During each of the three financial years ended 31 March 2008, sales in the second half of the financial year accounted for approximately [47.6]%, [56.4]% and [56.5]% of the Group's total sales revenue respectively. The Group recorded sales and gross profit of approximately HK\$[334.5] million and HK\$[74.1] million respectively for the five months ended 31 August 2008.

For the sales volume analyses, please refer to the paragraph headed "By sales volume" under the section headed "Overview of major income statement items of the Group".

Other income and gains

It mainly comprises management fee income from a related company, bank interest income, interest income from a related company, gross rental income, dividend income from unlisted available-for-sales investments, gains on disposal of prepaid land lease payments, gains on disposal of available-for-sales investments and gain on disposal of investment properties.

Selling and distribution costs

It mainly comprises (i) ocean freight costs for hiring and chartering of ocean vessels for transporting dried cassava chips to the PRC and (ii) warehouse, handling and inland transportation.

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Administrative expenses

It mainly comprises salaries and wages, entertainment and traveling expenses, rental and building management fees and office expenses, bank charges and exchange losses.

Finance costs

It mainly represents interest accrued on the bank mortgage loans for financing the Group's acquisition of properties and trade finances, including but not limited to trust receipt loans, advances on discounted bills receivable, stock financing loans and other term loans.

Taxation

The Company was incorporated in the Cayman Island as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax. The Company's subsidiaries established in BVI are registered as BVI business companies under the BVI Business Companies Act and are exempted from payment of income tax of BVI.

The Company is essentially an investment holding company and the entire revenue of the Group during the Track Record Period were generated by the operating subsidiaries of the Company in Hong Kong, Macau, Thailand and the PRC.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Hong Kong profits tax has been provided at the applicable tax rate of the relevant year of assessment on the estimated assessable profits arising in Hong Kong during the Track Record Period. For the three financial years ended 31 March 2008 and the five months ended 31 August 2008, Hong Kong profits tax has been provided at the rate of 17.5% and 16.5% respectively on the estimated assessable profits arising in Hong Kong during respective assessable year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Members of Group in Thailand are subject to corporate income tax on its net profit up to 30%. Moreover, companies are required to withhold tax for certain payment at the time of payment to recipient, which is at various rates depending on the nature of payments. Moreover, in general, a company which has its income more than THB1.8 million (equivalent to approximately HK\$0.4 million) per year is required to register itself as value added tax ("VAT") operator, which then is required to collect VAT amount, currently at 7% from its sales and services rendered to customer. However, export of products from Thailand is subject to no VAT. Moreover, different rates of corporate income tax applies to small company, i.e. less than THB5 million (equivalent to approximately HK\$1.1 million) registered capital and for only the net profit not more than THB3 million (equivalent to approximately HK\$0.7 million).

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According to Macau Tax Authorities, Artsun Macao has been duly registered under the Macau Laws for tax purposes and it is exempt from the payment of any profit taxes according to article 12, section 1. a) and b) of the Offshore Regulation. In addition, the Company is not required to make any withholding or deduction for or on account of the declaration and payment of any dividend and/or other distributions (whether in cash or in kind) by it.

Currently, the Group's subsidiary in the PRC is subject to PRC Enterprise Income Tax for Foreign Invested Enterprises and Foreign Enterprises of 25% and value added tax of 13%. For the period from 1 April 2005 to 31 December 2007 and the period from 1 January 2008 to 31 August 2008, the PRC subsidiary was subject to corporate income tax at 33% and 25% respectively.

For each of the three financial years ended 31 March 2008 and five months ended 31 August 2008, the effective tax rates of the Group were [39.6]%, [22.8]%, [12.2]% and [33.8]% respectively. The reduction in the Group's effective tax rate in the year 2007 was primarily due to the non-taxable dividend income of approximately HK\$4.5 million and more profit earned by the Group's operations in Hong Kong in the year 2007, which had a lower tax rate of 17.5% when compared with the 30% tax rate in Thailand. The further reduction in the Group's effective tax rate in the year 2008 was due to more profit earned by the Group's operations in Hong Kong and the Group's subsidiary in Macau becoming operational and profitable in the year 2008, which had a lower tax rate of 17.5% for Hong Kong and Nil for Macau when compared with the 30% tax rate in Thailand. [The increase in the Group's effective tax rate for the five months ended 31 August 2008 was primarily due to (i) the significant decrease in gross profit margin achieved by the Group through direct sales made in the five months ended 31 August 2008 thereby fewer profits were earned in Hong Kong and in Macau and (ii) more profits were earned by the Group's operation in Thailand. Tax losses due to the Group's operation in Thailand crystallised in prior year as deferred tax assets were utilised for the five months ended 31 August 2008.]

Review of historical operating results

For the financial year ended 31 March 2006

Revenue

During the financial year, the Group's revenue was approximately HK\$[740.9] million.

Cost of sales

During the financial year, the Group's cost of sales was approximately HK\$[573.5] million and consisted mainly of the cost of dried cassava chips sourced by the Group.

Gross profit

During the financial year, the Group recorded gross profit of approximately HK\$[167.4] million, representing a gross profit margin of approximately [22.6]%.

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Other income and gains

During the financial year, the Group recorded other income and gains of approximately HK\$[3.1] million which comprised mainly management fee income of approximately HK\$[1.8] million, and gross rental income of approximately HK\$[0.7] million.

Selling and distribution expenses

During the financial year, the Group recorded selling and distribution expenses of approximately HK\$[118.1] million (representing an approximately [15.9]% of the total sales of the year) which comprised mainly ocean freight costs of approximately HK\$[89.1] million and warehouse, handling and inland transportation expenses of approximately HK\$[29.0] million. The average ocean freight costs in the financial year 2006 were approximately HK\$[117.4] per tonne.

Administrative expenses

During the financial year, the Group recorded administrative expenses of approximately HK\$[12.8] million which comprised mainly salaries and wages of approximately HK\$[5.2] million, entertainment and overseas traveling expenses of approximately HK\$[1.8] million, bank charges of approximately HK\$[1.4] million, rental and building management fees and office expenses of approximately HK\$[0.7] million and net exchange losses of approximately HK\$[0.5] million.

Finance cost

During the financial year, the Group recorded finance cost of approximately HK\$[15.2] million.

Taxation

During the financial year, the Group recorded a taxation charge of approximately HK\$[10.0] million, representing an effective tax rate of approximately [39.6]% as the result of the generation of a significant portion of the Group's assessable profit in Thailand which has a income tax rate of [30]%.

Profit for the year

During the financial year, the Group recorded profit for the year of approximately HK\$[15.3] million, which included a fair value gain on investment properties of approximately HK\$[1.1] million.

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For the financial year ended 31 March 2007

Revenue

Revenue of the Group increased by approximately HK\$[77.5] million or approximately [10.5]%, from approximately HK\$[740.9] million in the financial year 2006 to approximately HK\$[818.3] million in the financial year 2007, mainly due to the increase in quantity sold by the Group from [758,774] tonnes in the financial year 2006 to approximately [811,614] tonnes in the financial year 2007 and the increase in average selling price from approximately HK\$[976] per tonne in the financial year 2006 to approximately HK\$[1,008] per tonne in the financial year 2007. The increase in the average selling price of dried cassava chips in the financial year 2007 was in line with the increasing trend of the average F.O.B. price of dried cassava chips in Thailand in the respective period.

Cost of sales

Cost of sales of the Group, representing the cost of cassava, increased by approximately HK\$[46.3] million or approximately [8.1]%, from approximately HK\$[573.5] million in the year financial 2006 to approximately HK\$[619.8] million in the financial year 2007, mainly due to the increase in the overall sales volume and average unit cost of dried cassava chips.

Gross profit

Gross profit of the Group increased by approximately HK\$[31.1] million or approximately [18.6]%, from approximately HK\$[167.4] million in the financial year 2006 to approximately HK\$[198.5] million in the financial year 2007, mainly due to the increase in the overall sales volumes and the average unit selling price of dried cassava chips.

Other income and gains

During the financial year, other incomes of the Group were approximately HK\$[14.3] million which comprised mainly dividend income from unlisted available-for-sale investment of approximately HK\$[4.5] million, a gain on disposal of prepaid lease payments of approximately HK\$[3.1] million, management fee income of approximately HK\$[1.8] million, and gross rental income of approximately HK\$[1.1] million.

Selling and distribution expenses

During the financial year, the selling and distribution expenses of the Group were approximately HK\$[138.8] million (representing about [17.0]% of total revenue in the year 2007), which comprised mainly ocean freight costs of approximately HK\$[109.9] million and warehouse, handling and inland transportation expenses of approximately HK\$[28.9] million.

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Selling expenses of the Group increased by approximately HK\$[20.6] million or approximately [17.5]%, from approximately HK\$[118.1] million in the financial year 2006 to approximately HK\$[138.8] million in the financial year 2007, mainly due to the increase in the average ocean freight cost which was increased by [15.3]% from approximately HK\$[117.4] per tonne to approximately HK\$[135.4] per tonne and the increase of sales volume.

Administrative expenses

During the financial year, the administrative expenses of the Group were approximately HK\$[14.8] million which comprised mainly salaries and wages of approximately HK\$[5.0] million, net exchange losses of approximately HK\$[3.9] million, entertainment and overseas traveling of approximately HK\$[1.5] million, bank charges of approximately HK\$[1.1] million and rental and building management fee and office expense of approximately HK\$[0.8] million.

Administrative expenses of the Group increased by about HK\$[2.0] million, or approximately [15.2]%, from approximately HK\$[12.8] million in the financial year 2006 to approximately HK\$[14.8] million in the financial year 2007, mainly due to the increase of approximately HK\$[3.4] million in the net exchange losses arising from the significant appreciation of THB against Hong Kong dollars in the financial year 2007 and a decrease of approximately HK\$[0.3] million of the entertainment and overseas traveling expenses. In addition, there was a loss on disposal of investment properties of approximately HK\$[0.6] million in the financial year 2006.

Finance costs

Finance expenses of the Group decreased by approximately HK\$[0.2] million, or approximately [1.4]% from approximately HK\$[15.2] million in financial year 2006 to approximately HK\$[15.0] million in financial year 2007.

Taxation

The Group's taxation charges increased by approximately [0.7]% from about HK\$[10.0] million for the financial year 2006 to about HK\$[10.1] million for the financial year 2007 primarily because of the increase of profit generated during the year. The taxation charge for the year represented an effective tax rate of approximately [22.8]% which was lower than the effective tax rate of approximately [39.6]% for the financial year 2006. This reduction in the Group's effective tax rate was primarily due to the non-taxable dividend income of approximately HK\$[4.5] million and more profit earned by the Group's operations in Hong Kong during the financial year 2007. Also, the Group had managed to review and revise the transfer prices charged by a group company in Thailand during the financial year 2007 with reference to the prevailing FOB prices charged by other exporters which are Independent Third Parties, resulting in a lower profit earned in Thailand and complied with the Revenue Code of Thailand and resulting in a higher profit in Hong Kong. As a result, the Group's effective tax rate for the year 2007 decreased to 22.8%. The Directors consider that the profits earned in the respective jurisdiction were appropriate.

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Profit for the year

Profit for the year of the Group increased by approximately HK\$[18.8] million, or approximately [123.0]%, from approximately HK\$[15.3] million in the financial year 2006 to approximately HK\$[34.1] million in the financial year 2007. The increase in the profit for the year was mainly because (i) the Group's gross profit increased by approximately HK\$[31.1] million in the financial year 2007, (ii) there was a fair value gain on investment properties of approximately HK\$[3.4] million; there was a dividend income from an unlisted available-for-sale investment of approximately HK\$[4.5] million during the financial year and there was a gain on disposal of prepaid land lease payments of approximately HK\$[3.1] million.

For the financial year ended 31 March 2008

Revenue

Revenue of the Group increased by approximately HK\$[85.3] million, or approximately [10.4]%, from approximately HK\$[818.3] million in the financial year 2007 to approximately HK\$[903.6] million in the financial year 2008, mainly due to the net effect of decrease in quantity sold from [811,614] tonnes in the financial year 2007 to [667,060] tonnes in the financial year 2008 and the increase in average selling price from HK\$[1,008] per tonne in the financial year 2007 to HK\$[1,355] per tonne in the financial year 2008. The increase in the average selling price of dried cassava chips in the financial year 2008 was in line with the increasing trend of the average F.O.B. price of cassava in Thailand in the respective period.

Cost of sales

Cost of sales of the Group, representing the cost of cassava, increased by approximately HK\$[45.4] million, or approximately [7.3]%, from approximately HK\$[619.8] million for the financial year 2007 to approximately HK\$[665.2] million in the financial year 2008, mainly due to the increase in the average unit cost of dried cassava chips.

Gross profit

Gross profit of the Group increased by approximately HK\$[39.9] million, or approximately [20.1]%, from approximately HK\$[198.5] million for the financial year 2007 to approximately HK\$[238.4] million for the financial year 2008, mainly due to the increase in the average unit selling price of dried cassava chips.

Other income and gains

During the financial year, other incomes of the Group were approximately HK\$[25.1] million which comprised mainly a gain on disposal of an available-for-sales investments of approximately HK\$[16.2] million, interest income from a related company of approximately HK\$[5] million, management fee income of approximately HK\$[1.8] million and gross rental income of approximately HK\$[1.3] million.

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Selling and distribution expenses

During the financial year, the selling and distribution expenses of the Group were approximately HK\$[124.5] million (representing a [13.8]% of the total revenue in the financial year 2007) which comprised mainly ocean freight costs of approximately HK\$[96.7] million and warehouse, handling and inland transportation of approximately HK\$[27.8] million.

Selling expenses of the Group in financial year 2007 were approximately HK\$[138.8] million representing a [17.0]% of total sales. It decreased by approximately HK\$[14.3] million or approximately [10.3]%, from approximately HK\$[138.8] million in the financial year 2007 to approximately HK\$[124.5] million in the financial year 2008, mainly due to the decrease in the sales volume in the financial year 2008. The average ocean freight costs in the financial year 2007 has increased by approximately [7.1]% from approximately HK\$[135.4] per tonne to approximately HK\$[145.0] per tonne in the financial year 2008.

Administrative expenses

Administrative expenses of the Group increased by approximately HK\$[2.2] million or approximately [14.9]%, from approximately HK\$[14.8] million in the financial year 2007 to approximately HK\$[17.0] million in the financial year 2008, mainly due to the increase in the auditors remuneration of approximately HK\$[1.1] million, salaries and wages of approximately HK\$[0.6] million, and insurance expenses of approximately HK\$[0.3] million. In addition, there was a management fee paid to a related company of approximately HK\$[0.7] million. During the financial year 2008, the remuneration of Mr. MK Chu (an executive Directors who stations in Thailand) decreased significantly as a result of the decrease in volume of sales from warehouse recorded by the Group in the year. Mr. MK Chu's remuneration was performance-linked and one of the factors of consideration was by reference to the volume of sales from warehouse (sales of dried cassava chips procured and stored in the Group's warehouses in Thailand). Save for the case of Mr. MK Chu, none of the other Directors' remunerations during the Track Record Period were directly linked to the volume of sales from warehouse.

Finance costs

Finance expenses of the Group remained stable at approximately HK\$15.0 million for the financial years 2007 and 2008.

Taxation

The Group's taxation charges increased by approximately [41.1]% from about HK\$[10.1] million for financial year 2007 to about HK\$[14.2] million for financial year 2008 primarily because of the increase of profit generated during the financial year. The taxation charge for the year represented an effective tax rate of approximately [12.2]% which was lower than the effective tax rate of approximately [22.8]% for financial year 2007. This further reduction in the Group's effective tax rate was primarily because the Group were engaged in more direct sales which arrangements were made in and relevant sales and profits were earned in Hong Kong and in Macau but not in Thailand. The Hong Kong subsidiaries have a lower tax rate of 17.5% and the Macau subsidiary is an offshore company exempted from paying any profits tax in Macau. The Directors consider that the profits earned in the respective jurisdictions were appropriate.

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Profit for the year

Profit for the year of the Group increased by approximately HK\$[67.8] million, or approximately [199.0]%, from approximately HK\$[34.1] million in financial year 2007 to approximately HK\$[101.9] million in financial year 2008. The increase in the profit for the year was mainly because (i) the Group's gross profit increased by approximately HK\$[39.9] million in the financial year 2008, (ii) there was a fair value gain on investment properties of approximately HK\$[9.1] million during the financial year (iii) there was a gain on disposal of an available-for-sale investment of approximately HK\$[16.2] million during the financial year and (iv) the Group's selling and distribution expenses decreased by approximately HK\$[14.3] million.

For the five months ended 31 August 2008

Revenue

Revenue of the Group increased by approximately HK\$[60.8] million, or approximately [22.2]%, from approximately HK\$[273.7] million for the five months ended 31 August 2007 to approximately HK\$[334.5] million for the five months ended 31 August 2008, mainly due to the net effect of the increase in average selling price by approximately [49.5%] from HK\$[1,128] per tonne in the five months ended 31 August 2007 to HK\$[1,686] per tonne in the five months ended 31 August 2008 and the decrease in quantity sold from [242,764] tonnes in five months ended 31 August 2007 to [198,380] tonnes in the five months ended 31 August 2008. The increase in the average selling price of dried cassava chips in the five months ended 31 August 2008 was in line with the increasing trend of the average F.O.B. price of cassava in Thailand in the respective period.

Cost of sales

Cost of sales of the Group, representing the cost of cassava, increased by approximately HK\$[54.5] million, or approximately [26.4]%, from approximately HK\$[206.0] million for the five months ended 31 August 2007 to approximately HK\$[260.4] million in the five months ended 31 August 2008, mainly due to the increase in the average unit cost of dried cassava chips.

Gross profit

Gross profit of the Group increased by approximately HK\$[6.3] million, or approximately [9.3]%, from approximately HK\$[67.8] million for the five months ended 31 August 2007, representing a gross profit margin of approximately [24.8]%, to approximately HK\$[74.1] million for the five months ended 31 August 2008, representing a gross profit margin of approximately [22.1]%. The decrease in gross profit margin was mainly due to the fact that the gross profit margin of the Group's direct sales for the five months ended 31 August 2008 decreased to [14.6]% from [22.9]% for the five months ended 31 August 2007 whereas that of the gross profit margin of the Group's sales from warehouse remained relatively stable for the five months ended 31 August 2007 and 2008 at approximately [26.3]% and [27.7]%.

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Other income and gains

During the five months ended 31 August 2008, other income and gains of the Group were mainly gross rental income from leasing of the Group's investment properties of approximately HK\$[0.6] million.

During the five months ended 31 August 2007, other income and gains of the Group were approximately HK\$[19.8] million which comprised mainly a gain on disposal of an available-for-sales investment of approximately HK\$[16.2] million, interest income from a related company of approximately HK\$[1.7] million, management fee income from a related company of approximately HK\$[0.8] million and gross rental income of approximately HK\$[0.5] million.

Selling and distribution expenses

During the five months ended 31 August 2008, the selling and distribution expenses of the Group were approximately HK\$[46.0] million (representing a [13.7]% of the total sales revenue for the five months ended 31 August 2008) which comprised mainly ocean freight costs of approximately HK\$[37.6] million and warehouse, handling and inland transportation expenses of approximately HK\$[8.4] million.

It increased by approximately HK\$[3.2] million, or approximately [7.5]%, from approximately HK\$[42.8] million in the five months ended 31 August 2007 to approximately HK\$[46.0] million in the five months ended 31 August 2008, mainly due to the net effect of an increase in average ocean freight costs per tonne in the five months ended 31 August 2008 and a decrease in the sales volume. The average ocean freight costs in the five months ended 31 August 2007 has increased by approximately [24.2]% from approximately HK\$[153] per tonne to approximately HK\$[190] per tonne in the five months ended 31 August 2008.

Administrative expenses

Administrative expenses of the Group increased by approximately HK\$[0.8] million, or approximately [14.8]%, from approximately HK\$[5.4] million in the five months ended 31 August 2007 to approximately HK\$[6.2] million in the five months ended 31 August 2008, mainly due to the increase in salaries and wages as a result of an annual payroll adjustment and increase in staff for initial public offer purposes.

Finance costs

Finance expenses of the Group was increased by 8.2% from approximately HK\$5.7 million for the five months ended 31 August 2007 to approximately HK\$6.1 million for the five months ended 31 August 2008 which was mainly due to combined effect of (i) the increase in bank borrowings for purchase of inventories and working capital financing; and (ii) the decrease in the interest rates.

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Taxation

The Group's taxation charges decreased by approximately [62.1]% from about HK\$[6.6] million for the five months ended 31 August 2007 to about HK\$[2.5] million for the five months ended 31 August 2008 primarily because of the decrease of profit generated during the year. The taxation charge for the five months ended 31 August 2008 represented an effective tax rate of approximately [33.8]% which was [14.6] percentage points higher than the effective tax rate of approximately [19.2]% for the five months ended 31 August 2007. The increase in the Group's effective tax rate was primarily because (i) the significant decrease in gross profit margin achieved by the Group through direct sales made in the five months ended 31 August 2008, thereby fewer profits were earned in Hong Kong and in Macau and (ii) more profits were earned by the Group's operation in Thailand. The Hong Kong subsidiaries have a lower tax rate of 16.5% (five months ended 31 August 2007: 17.5%) and the Macau subsidiary is an offshore company exempted from paying any profits tax in Macau. The Directors consider that the profits earned in the respective jurisdictions were appropriate.

Profit for the period

Profit for the period of the Group decreased by approximately HK\$[22.9] million, or approximately [82.7]%, from approximately HK\$[27.7] million in the five months ended 31 August 2007 to approximately HK\$[4.8] million in the five months ended 31 August 2008. The decrease in the profit for the period was mainly because (i) the Group's gross profit increased by approximately HK\$[6.3] million in the five months ended 31 August 2008; (ii) there was a fair value loss on investment properties of approximately HK\$[8.7] million, particularly for those properties in Hong Kong for the five months ended 31 August 2008 due to the recent economic development while there was a fair value gain on investment properties of approximately HK\$[0.6] million in the five months ended 31 August 2007; (iii) there was a deficit on revaluation of property, plant and equipment of approximately HK\$[0.5] million in the five months ended 31 August 2008; (iv) there was a non-recurring gain on disposal of an available-for-sale investment of approximately HK\$[16.2] million in the five months ended 31 August 2007; (v) the Group's selling and distribution expenses increased by approximately HK\$[3.2] million; and (vi) the Group's administrative expenses increased by approximately HK\$[0.8] million.

Profit for the period of the Group for the five months ended 31 August 2008 included certain profit/loss of non-cassava nature – (i) fair value loss on properties of approximately HK\$[8.7] million and (ii) gross rental income of approximately HK\$[0.6] million, while that for five months ended 31 August 2007 included (i) gain on disposal of available-for-sales investment of approximately HK\$[16.2] million; (ii) fair value gain on properties of HK\$0.6 million; (iii) management fee income from a related company of approximately HK\$[0.8] million; (iv) interest income from a related company of approximately HK\$1.7 million and (v) gross rental income of approximately HK\$0.5 million.

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The profit of the Group for the period ended 31 August 2007 and 2008 amounted to approximately HK\$[27.7] million and approximately HK\$[4.8] million respectively, representing a drop of approximately [82.7]% or approximately HK\$[22.9] million. The decline was mainly attributable to (i) losses of non-cassava nature for the five months ended 31 August 2008, including in particular the fair value loss on investment properties in Hong Kong of approximately HK\$8.7 million, deficit on revaluation of property, plant and equipment of approximately HK\$[0.5] million for the five months ended 31 August 2008 due to general decline in the property market in Hong Kong; (ii) gain on disposal of available-for-sale investment of approximately HK\$[16.2] million for the five months ended 31 August 2007; and (iii) the tax effect of items (i) and (ii) above.

The Group's business is possibly and may be affected by of the recent economic developments and/or the riots in Thailand. The Directors note that the price of dried cassava chips in recent months have shown a declining trend. As the global economies suffer potential recessions, general overall business activities may continue to slow down. Therefore, the demand for dried cassava chips in the PRC may have decreased which may have an impact on the Company's business performance. However, the Group has not experienced any direct material obstacle in the daily operation (including sourcing and sales of dried cassava chips) of the Group up to the Latest Practicable Date. As at the Latest Practicable Date, the Group did not experience any material withdrawal of banking facilities, early payment of outstanding loans as required by banks, requests by banks to increase the amount of pledge(s) for secured borrowings, cancellation of orders placed, or bankruptcy or default on the part of any customers and/or suppliers.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

Inventories

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded inventories of approximately HK\$[157.4] million, HK\$[140.8] million, HK\$[59.5] million and HK\$[53.7] million respectively. Inventories of the Group principally represents the dried cassava chips. Subsequent to 31 August 2008, all of the inventories held at 31 August 2008 have been sold to the customers. The Group did not record any provision for obsolete inventories as at each of 31 March 2006, 2007, 2008 and 31 August 2008. The following table sets out the inventory turnover day for each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008:

	2006	2007	2008	As at 31 August 2008
Inventory turnover days (in days) (<i>note</i>)	<u>[76.9]</u>	<u>[87.8]</u>	<u>[55.0]</u>	<u>[33.0]</u>

Note: average of opening and closing balance for inventory/cost of sales x 365 days

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The Directors consider that the fluctuations in the inventory turnover days during the Track Record Period were mainly affected by the average of opening and ending inventory as at each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008, the sales mix strategy adopted by the Group in different years as well as the seasonal factors contributed by the harvesting season of cassava. The inventory balances as at 31 March 2006 and 2007 included goods in transit to be delivered to customers amounting to approximately HK\$[50.1] million and HK\$[61.4] million, respectively. The inventories in transit have been delivered to customers after the respective balance sheet dates. Should the inventory turnover days be adjusted to exclude the impact of the inventory in transit, the adjusted inventory turnover days as at each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008 are [61.0] days, [55.0] days, [38.1] days and [33.0] days, respectively. As such, there was a gradual reduction in the inventory turnover days over the Track Record Period, mainly because the Group's strategic actions to reduce the inventory holding period in order to mitigate the market risk when the price of cassava rises continuously during the Track Record Period, particularly during financial year 2008, as reflected by the increase in the average selling price by [36.8]% and [49.5%] achieved by the Group in the financial year 2008 and for the five months ended 31 August 2008, respectively.

Bills receivable

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded bills receivable of approximately HK\$[72.0] million, HK\$[62.1] million, HK\$[27.8] million and HK\$[21.5] million. In accordance with the Group's existing credit policy, most of the customers are dealt with under irrevocable letters of credit. The Group generally discounts all its undue bills receivable to finance its operations. Accordingly, the ending balances of the bills receivable mainly represented those letters of credit yet to be discounted. Subsequent to 31 August 2008, all of the bills receivable as at 31 March 2008 have been settled. The following table sets out the breakdown of the bills receivable as at 31 March 2006, 2007, 2008 and 31 August 2008:

	As at 31 March			As at
	2006	2007	2008	31 August
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Bills receivable	[10.0]	[-]	[27.8]	[21.5]
Discounted bills receivable with recourse	[62.0]	[62.1]	[-]	[-]
	[72.0]	[62.1]	[27.8]	[21.5]

FINANCIAL INFORMATION

The Directors consider that the fluctuations in the debtor turnover days during the Track Record Period were mainly affected by the ending balance of bills receivables as at each of the three financial years ended 31 March 2008 and the five months ended 31 August 2008. The Group generally discounts its undue bills receivable to finance its operations. Accordingly, discrepancies between the settlement date of the letter of credit and the turnover days of bills receivables arise. The debtor turnover day for the financial year 2007 decreased when compared with that for the financial year 2006 because the Group has generally shortened the maturity period of the bills receivables in the financial year 2007 when compared with the financial year 2006. The debtor turnover day of the financial year 2008 decreased compared with the financial year 2007 because the Group changed its policy from discounting bills receivables with recourse in the financial year 2007 (resulting in the discounted amount being continued to be carrying forward in the balance sheets) to discounting the bills receivable without recourse during the financial year (thereby switching the discounted amount to be excluded from the balance sheets). The debtor (bills receivables) turnover days in five months ended 31 August 2008 was relatively stable compared to that of the financial year 2008. The following table sets out the debtor (bills receivables) turnover days as at the date indicated below:

	As at 31 March			As at 31 August 2008
	2006	2007	2008	2008
Debtor turnover days (in days) <i>(note)</i>	[35.5]	[27.7]	[11.2]	[9.8]

Note: closing balance for bills receivable/revenue x 365 days

Investment properties

	As at 31 March			As at 31 August 2008
	2006	2007	2008	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At valuation	[19,000]	[29,900]	[48,199]	[39,450]

The increase in investment properties of approximately HK\$[10.9] million from the balance of approximately HK\$[19.0] million as at 31 March 2006 to the balance of approximately HK\$[29.9] million as at 31 March 2007 was due to the acquisition of an office premise in Hong Kong for a consideration of approximately HK\$[7.5] million and the fair value gain of approximately HK\$[3.4] million on revaluation of the investment properties (credited as other income).

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The increase in investment properties of approximately HK\$[18.3] million from the balance of approximately HK\$[29.9] million as at 31 March 2007 to the balance of approximately HK\$[48.2] million as at 31 March 2008 was due to the acquisition of an industrial building in Shenzhen, the PRC for a consideration of approximately HK\$[10.1] million and the fair value gain of approximately HK\$[9.1] million on revaluation of the investment properties (credited as other income), the effect of which was partly offset by the disposal of an investment property with a carrying value of approximately HK\$[0.9] million.

The decrease of approximately HK\$[8.7] million from the balance of approximately HK\$[48.2] million as at 31 March 2008 to the balance of approximately HK\$[39.5] million as at 31 August 2008 was due to the fair value loss of approximately HK\$[8.7] million on revaluation of the investment properties.

Trade and other payables and accruals

	As at 31 March			As at
	2006	2007	2008	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2008</i> <i>HK\$'000</i>
Receipts in advance	[80,526]	[40,606]	[-]	[-]
Rental deposits received	[285]	[358]	[406]	[364]
Trade and other payables	[768]	[3,110]	[3,790]	[5,940]
Accrued liabilities	[5,480]	[2,481]	[8,307]	[8,206]
	<u>[87,059]</u>	<u>[46,555]</u>	<u>[12,503]</u>	<u>[14,510]</u>

The balance of receipts in advance as at 31 March 2006 was mainly due to approximately HK\$[76.2] million sales deposits received by the Group. The related goods were delivered to the customers after the year end. The balance of receipts in advance as at 31 March 2007 represented mainly sales deposits received by the Group of approximately HK\$29.5 million and deposit received for disposal of the minority interest of approximately HK\$[11.1] million received by the Group. The related goods were delivered to the customers and the transactions were completed after the year end. No balance of receipt in advance was recorded as at 31 March 2008 and 31 August 2008 because all the goods were delivered to the customers before those dates.

The increase in the balances of trade and other payables as at 31 March 2007 was mainly due to the PRC land appreciation tax payable of approximately HK\$2.2 million in respect of the prepaid land lease payments in the PRC which was disposed of during the financial year ended 31 March 2007. The increase in the balances as at 31 March 2008 was mainly due to the increase of warehouse rental payables and interest payables. The increase in the balance as at 31 August 2008 was mainly due to the increase in interest payables.

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The balance of accrued liabilities represented mainly the payables of stevedore, freight charges and other handling expenses and professional and legal expenses. The decrease in the balance as at 31 March 2007 was mainly due to settlement of the payables of stevedore, freight charges and other handling expenses. The increase in the balance as at 31 March 2008 was mainly due to the increase of the payables of stevedore, freight charges and other handling expenses and professional and legal expenses. The decrease in the balance as at 31 August 2008 was mainly due to the decrease of the payables of stevedore, freight charges and other handling expenses and professional and legal expenses.

Due from/to a director

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded an amount due from a director of approximately HK\$[52.5] million, HK\$[45.7] million, HK\$[nil] and HK\$[26.6] million, respectively, and an amount due to a director of approximately HK\$[nil], HK\$[nil], HK\$[12.1] million and HK\$[nil] respectively. Subsequent to 31 August 2008, the amount due to a director has been fully settled.

Due from related companies

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded amounts due from the related companies of approximately HK\$[7.6] million, HK\$[33.1] million, HK\$[44.0] million and HK\$[44.1] million, respectively.

All of the balances were of non-trading nature. Except for the balance amounted to approximately HK\$[30.1] million which borne an interest at People's Bank of China rate plus 8%, all balances were interest-free, unsecured and have no fixed terms of repayment. [Subsequent to 31 August 2008, except for the loan owed by Mr. Aja to Art Rich under the Aja-Art Rich Arrangements, all of the such amounts due from related parties have been fully settled.]

Due to the related companies

As at 31 March 2006, 2007, 2008 and 31 August 2008, the Group recorded amounts due to the related companies of approximately HK\$[5.1] million, HK\$[nil], HK\$[0.7] million and HK\$[0.8] million respectively. All of the balances are of non-trading nature and were interest-free, unsecured and had no fixed terms of repayment. Subsequent to 31 August 2008, all of the amounts due to the related companies have been fully settled.

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Historical related party transactions

Historical related party transactions for the Track Record Period are set out below:

- (a) [The management fee income from Artwell Cotton of approximately HK\$[1.8] million for each of the financial years ended 31 March 2006, 2007 and 2008 and of approximately HK\$[0.8] million and HK\$[nil] for the five months ended 31 August 2007 and 2008 mainly relating to the provision of certain administrative services and the sharing of office was mutually agreed between both parties with reference to actual costs incurred. Pursuant to the termination agreement dated 1 April 2008, Artwell Enterprises ceased to provide the above services to Artwell Cotton and no management fee was received from Artwell Cotton thereafter.]
- (b) [The interest income received from Alther Limited of approximately HK\$[nil], HK\$[nil] and HK\$[5] million for each of the financial years ended 31 March 2006, 2007 and 2008 and HK\$[1.7] million and HK\$[nil] for the five months ended 31 August 2007 and 2008 was charged at 8% above the prime rate per annum quoted by the People's Bank of China on the outstanding amount due from a related company for the financial year ended 31 March 2008. No interest was charged to such related company during the financial years ended 31 March 2006 and 2007. It ceased to charge such interest income from the related company commencing from 1 April 2008. As at the Latest Practicable Date, the relevant balances were fully settled.]
- (c) [The freight handling fees paid to Artwell Transportation of approximately HK\$[nil], HK\$[0.4] million and HK\$[0.4] million for each of the financial years ended 31 March 2006, 2007 and 2008 and approximately HK\$[33,000] and HK\$[nil] for the five months ended 31 August 2007 and 2008 in relation to the transportation of dry cassava chips charged with reference to the actual overheads costs incurred. Commencing from 1 April 2008, the freight arrangement has been handled by the Group and no handling fees were paid to Artwell Transportation accordingly.]
- (d) On 31 March 2008, the Group disposed of an investment property to Alpha Concord Investment Limited at a consideration of approximately HK\$1 million. The consideration was based on fair market value appraised by independent professionally qualified valuers.
- (e) [The management fee paid to 濟南雅新房地產開發有限公司 (Jinan Ya Xin Real Estate Development Co., Ltd.) of approximately HK\$[0.7] million for the financial year ended 31 March 2008 for the provision of administrative services was mainly based on actual staff costs incurred.] Commencing from 1 April 2008, the Group employed its own staff for such administrative services and no management fee was paid to 濟南雅新房地產開發有限公司 (Jinan Ya Xin Real Estate Development Co., Ltd.) accordingly.

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- (f) [The rental expenses paid to Rizhao Artwell International Hotel Co., Ltd. of approximately HK\$[0.1] million for each of the financial years ended 31 March 2006, 2007 and 2008 and for the five months ended 31 August 2007 and 2008 were determined based on prevailing market rent.]
- (g) [The performance bonus paid to Mrs. Chu for approximately HK\$[1.1] million for the financial year ended 31 March 2006 related to the sales of properties of the Group arranged by a member of the Group's staff, who is the spouse of Mr. Chu, a director of the Company, was determined by the Group at its sole discretion with reference to the transaction value.]
- (h) [The Group acquired certain trademarks from a director at the consideration of RMB1.00 (approximately HK\$1.14).]
- (i) During the year ended 31 March 2008, the Group and a related company controlled by a director of the Company entered into a lease agreement to lease the related company's property in the PRC to the Group for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011, at a total annual rental of RMB34,200 (approximately HK\$38,800). The rental expense was determined based on prevailing market rent. The rental expenses paid for the five months ended 31 August 2008 was approximately HK\$16,000.
- (j) On 28 March 2008, the Group and a director entered into a lease agreement to lease the director's property in the PRC to the Group for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011, at a total annual rental of RMB120,000 (approximately of HK\$136,300). The rental expense was determined based on prevailing market rent. The rental expenses paid for the five months ended 31 August 2008 was approximately HK\$[0.1] million.
- (k) On 15 May 2008, the Group and a related company controlled by a director of the Company entered into a lease agreement pursuant to which the related company leased a property in Hong Kong to the Group for a period of two years commencing from 1 April 2008 and expiring on 31 March 2010, at a total annual rental of HK\$387,900. The rental expense was determined based on prevailing market rent. The rental expense paid for the five months ended 31 August 2008 was approximately HK\$0.2 million.
- (l) On 31 March 2008, the Group acquired a factory complex in the PRC from Mr. Chu at a consideration of approximately RMB9.2 million (approximately HK\$10.5 million). The consideration was based on fair market value appraised by independent professionally qualified valuers. On acquisition of the property, the Group also took over the lease agreement for leasing the property to a related company controlled by the director for the remaining period from 31 March 2008 to 30 June 2010, at a total annual rental of HK\$224,000. The rental expense was determined based on prevailing market rent. The rental income received for the five months ended 31 August 2008 was approximately HK\$[0.1] million.
- (m) On 28 March 2008, the Group and a related company controlled by a director entered into a lease agreement under which the related company leased a property located in the PRC to the Group for a period of three years commencing from 1 April 2008 and expiring on 31 March 2011, at a total annual rental of RMB120,000 (equivalent to HK\$136,300). The rental expense was determined based on prevailing market rent. The rental expense paid by

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the Group for the five months ended 31 August 2008 was approximately HK\$[57,000]. Prior to entering into the lease agreement, the Group occupied the above property for the years ended 31 March 2006, 2007 and 2008 and paid rental expenses to the related company of approximately HK\$0.1 million for each of the years.

LIQUIDITY, FINANCIAL RESOURCES AND INDEBTEDNESS

During the Track Record Period, the Group financed its working capital and capital expenditure requirements principally through net cashflow from operating activities and bank borrowings.

The following table summaries the consolidated cash flows of the Group for the years or periods indicated:

	Year ended 31 March			Five months ended 31 August	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	[(59,224)]	[16,968]	[158,879]	[95,036]	[22,290]
Net cash inflow/(outflow) from investing activities	[12,302]	[6,541]	[12,906]	[31,682]	[(46)]
Net cash inflow/(outflow) from financing activities	<u>[74,666]</u>	<u>[8,226]</u>	<u>[(182,930)]</u>	<u>[(141,194)]</u>	<u>[(58,976)]</u>
Net cash inflow/(outflow) Cash and cash equivalents at the beginning of the year/period	[27,744]	[31,735]	[(11,145)]	[(14,476)]	[(36,732)]
Effect of foreign exchange rate changes, net	<u>[(228)]</u>	<u>[(691)]</u>	<u>[1,184]</u>	<u>[455]</u>	<u>[179]</u>
Cash and cash equivalents at the end of the year/period	<u><u>[24,257]</u></u>	<u><u>[55,301]</u></u>	<u><u>[45,340]</u></u>	<u><u>[41,280]</u></u>	<u><u>[8,787]</u></u>

Cash flows

As at 31 March 2006, 2007, 2008 and 31 August 2007 and 2008, the Group had cash and cash equivalents of approximately HK\$[24.3] million, HK\$[55.3] million, HK\$[45.3] million, HK\$[41.3] million and HK\$[8.8] million respectively. Cash generated from operations, when not used for working capital or repayment of bank loan purposes, is held principally in the form of short-term deposits with banks in Hong Kong, Thailand or the PRC.

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Operating Activities

The Group had a net cash outflow from operating activities of approximately HK\$[59.2] million for the financial year 2006. This net outflow was mainly attributable to the approximately HK\$[40.5] million of cash inflows before movements in working capital, which was offset by an outflow of approximately HK\$[85.9] million of the increase in inventories and bills receivable and decrease in prepayments, deposits and other receivables and other payables and accruals.

The Group's net cash flow from operating activities reversed from an outflow of approximately HK\$[59.2] million for the financial year 2006 to an inflow of approximately HK\$[17.0] million for the financial year 2007 mainly because of the release of working capital movement. In addition, the Group still recorded cash inflows before movements in working capital of approximately HK\$[48.5] million for the financial year 2007 compared to approximately HK\$[40.5] million in the financial year 2006.

The Group recorded a stronger cash inflow from operating activities of approximately HK\$[17.0] million for the financial year 2007 to an inflow of approximately HK\$[158.9] million for the financial year 2008 mainly because of the significant increase in the profit during the financial year. In addition, the Group further released working capital of approximately HK\$[115.6] million from its operation which was mainly contributed by the decrease of inventories and bills receivable.

The Group had a net cash inflow from operating activities of approximately HK\$[95.0] million for the five months ended 31 August 2007. This net inflow was mainly attributable to the approximately HK\$[21.6] million of cash inflows before movements in working capital, an inflow of approximately HK\$[116.8] million of the decrease in inventories and bills receivable and increase in prepayments, deposits and other receivables and decrease in other payables and accruals.

For the five months ended 31 August 2008, the Group's net cash inflow from operating activities decreased to approximately HK\$[22.3] million from approximately HK\$[95.0] million for the five months ended 31 August 2007 mainly due to decrease in release of working capital movement after the Group's holding less inventories and adoption of discounting bills receivable without recourse.

Investing Activities

For the financial year 2006, the Group recorded cash inflows from investing activities of approximately HK\$[12.3] million which mainly represented the proceeds from disposal of investment properties of approximately HK\$[12.9] million.

For the financial year 2007, the Group recorded cash inflows from investing activities of approximately HK\$[6.5] million which mainly represented the proceeds from disposal of prepaid land lease payments of approximately HK\$[14.1] million less the purchase of investment properties of approximately HK\$[7.5] million.

For the financial year 2008, the Group recorded cash inflows from investing activities of approximately HK\$[12.9] million which was mainly resulted from (i) the purchases of items of property, plant and equipment of approximately HK\$[9.8] million; (ii) the purchase of investment properties of approximately HK\$[10.1] million; less (iii) the proceeds from disposal of available-for-sale investments of approximately HK\$[31.8] million.

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For the five months ended 31 August 2007, the Group recorded cash inflows from investing activities of approximately HK\$[31.7] million which was mainly resulted from (i) the issue of share capital of a newly incorporated subsidiary of approximately HK\$[1.9] million; (ii) the proceeds from disposal of available-for-sale investments of approximately HK\$[31.8] million; less (iii) the purchase of property, plant and equipment of approximately HK\$[0.1] million.

For the five months ended 31 August 2008, the Group recorded cash outflows from investing activities of approximately HK\$46,000 which was resulted from the purchase of equipment.

Financing Activities

For the financial year 2006, the Group recorded net cash inflows from financing activities of approximately HK\$[74.7] million as a result of the net off effect of the advances to related companies and director and the drawdown of bank loans. The Group decreased the net cash inflow from financing activities to approximately HK\$[8.2] million for the financial year 2007 because of the decrease in net advances to directors and the drawdown of bank loans. For the financial year 2008, the Group recorded significant net cash outflows from financing activities of approximately HK\$[182.9] million mainly due to the net repayment of bank loans of approximately HK\$[283.8] million with cash flows generated from the profitable operation during the financial year.

For the five months ended 31 August 2007, the Group recorded net cash outflows from financing activities of approximately HK\$[141.2] million as a result of the effect of the net repayment of from related companies and director and the repayment of bank loans. The Group decreased the net cash outflow from financing activities to approximately HK\$[59] million for the five months ended 31 August 2008 because of the increase in net advances to related companies and directors and the repayment of bank loans with cash flows generated from the profitable operation during the period and available cash and balance balances.

Interest-bearing bank loans and banking facilities

The increase in the balance as at 31 March 2007 when compared with 2006 was for the financing of the Group's increasing working capital needs due to the increase in sales volume and the advances of approximately HK\$20.0 million to a related company controlled by a Controlling Shareholder for its property development business. As advised by the PRC legal advisers, the advances to the related parties will be regarded as invalid under the relevant rules in the PRC. However, the borrowing parties continue to have the obligation to repay the advances. The PRC legal advisers also opined that the Group would not be penalised by The People's Bank of China because of the advances as the advances involving the Group's PRC companies are non-interest bearing. [Such advances have already been settled]. The Directors are of the view that stringent monitoring procedures are in place to prevent the occurrence of such advances in the future.

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The decrease in the balance as at 31 March 2008 and as at 31 August 2008 was mainly due to the repayment of bank loans with cash flows generated from the profitable operations during the financial year ended 31 March 2008 as well as the five months ended 31 August 2008.

As at [31 August] 2008, the Group's banking and credit facilities were secured by certain properties and inventories of the Group, certain properties of a director of the Company and related companies of the Group controlled by that director, the Group's corporate guarantees, cross corporate guarantees given by a director of the Company and certain related companies controlled by that director, certain personal guarantees given by a director and corporate guarantees of certain related companies of the Group controlled by that director.

Indebtedness

As at [31 December] 2008, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, the Group had outstanding secured bank borrowings of approximately HK\$[138.0] million. Approximately HK\$[130.2] million of the total outstanding borrowings are repayable within one year and the remaining balances of approximately HK\$[7.8] million are repayable beyond one year but within five years.

[As at the Latest Practicable Date, the Group has sought consents in principle from the banks in releasing all the guarantees provided by the director and/or related companies and replacing the securities to the Group's banking facilities by corporate guarantee and/or other security to be provided by the Company and/or other members of the Group.]

Contingent liabilities

During Track Record Period, certain of the Group's banking facilities were shared between the Group and Artwell Cotton Limited ("Artwell Cotton"), a related company of the Group controlled by a director of the Company. These banking facilities were secured, inter alia, by certain properties and inventories of the Group and the Group's corporate guarantees, and cross corporate guarantees given by Artwell Cotton. These banking facilities were not utilised by Artwell Cotton as at 31 March 2006, 2007 and 2008 and 31 August 2008. [Subsequent to 31 August 2008, the cross guarantees given by the Group in favour of Artwell Cotton and the share of banking facilities between the Group and Artwell Cotton have been released.] As at [31 December] 2008, there were no contingent liabilities of the Group.

Commitments

As at [31 December] 2008, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, the Group had no any credit commitments in respect of letters of credit issued but not utilised. As at [31 December] 2008, the Group had operating lease commitments of approximately HK\$[3.8] million in respect of the lease payments.

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Disclaimer

Save as disclosed above, apart from intra-group liabilities, the Group did not have outstanding indebtedness at the close of business on [31 December] 2008 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other contingent liabilities.

Capital structure

Net tangible assets

As at [31 August] 2008, the Group had net tangible assets of approximately HK\$[80.6] million, comprising non-current assets of approximately HK\$[61.1] million (comprising property, plant and equipment and investment properties), net current assets of approximately HK\$[30.9] million and non-current liabilities of approximately HK\$[11.4] million (comprising secured interest-bearing bank loans, deferred tax liabilities and finance lease payable).

As at [31 December] 2008, the Group had net tangible assets of approximately HK\$[97.0] million, comprising non-current assets of approximately HK\$[48.5] million (comprising property, plant and equipment and investment properties), net current assets of approximately HK\$[59.7] million and non-current liabilities of approximately HK\$[11.2] million (comprising secured interest-bearing bank loan, deferred tax liabilities and finance lease payable).

Net current assets

Based on the unaudited consolidated management accounts of the Group as at [31 December] 2008, the Group had net current assets of approximately HK\$[59.7] million (31 August 2008: approximately HK\$[30.8] million) comprising current assets of approximately HK\$[218.5] million (31 August 2008: approximately HK\$[169.0] million) and current liabilities of HK\$[158.8] million (31 August 2008: approximately HK\$[138.2] million). The current assets of the Group as at 31 December 2008 of approximately HK\$[218.5] million mainly comprise inventories, bills receivable, prepayments, deposits and other receivables, and cash and cash equivalents.

The current liabilities of Group as at [31 December] 2008 of approximately [158.2] million mainly comprise interest-bearing bank borrowings and tax payable.

[The increase in the net current assets of approximately HK\$[28.8] million from approximately HK\$[30.9] million as at 31 August 2008 to approximately HK\$[59.7] million as at 31 December 2008 was mainly due to the accumulation of assets generated from the Group's profitable operations during the period from 1 September 2008 to 31 December 2008].

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Financial resources

[As at [31 December] 2008, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, other than the leases of its office, properties and warehouses and the credit commitments in relation of its trading activities, the Group does not have material capital commitments nor major expenditures that would have material impact on the liquidity of the Group.] Prior to the completion of the Share Offer, the operations of the Group were financed principally by shareholders' equity and internally generated funds and bank borrowings. Upon completion of the Share Offer, the Group expects that its operations will be financed mainly by the net proceeds of the Share Offer, internally generated funds and bank borrowings.

Currency risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to RMB, THB and US\$. The majority of the Group's revenues are denominated mainly in US\$ and purchases are denominated mainly in US\$ and THB. The exchange rate fluctuations may impact the Group's earnings, cash flow and net assets. [Nevertheless, the Group was not in general and is not currently a party to any exchange rate risk management transaction.]

WORKING CAPITAL

Taking into account the cashflow generated from the operating activities, the financial resources available to the Group, including internally generated funds, the available banking facilities and the estimated net proceeds of the Share Offer and having regard to the existing business plan of the Group, the Directors 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.

PROPERTY INTERESTS

Asset Appraisal Limited, an independent property valuer, has valued the property interests attributable to the Group as at 31 December 2008 at approximately HK\$[47.2 million]. The text of its letter and a summary of valuation and valuation certificates are set out in "Appendix III — Property Valuation" to this document.

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A reconciliation of the net book value of the relevant property interests as at 31 August 2008, to their fair value as at 31 December 2008 as stated in "Appendix III — Property Valuation" to this document is as follows:

	<i>HK\$'000</i>
Net book value of the properties as at 31 August 2008 as per Appendix I to this document:	
Land and buildings	[17,300]
Investment properties	<u>[39,450]</u>
	56,750
Movements for four months ended 31 December 2008:	
Depreciation on buildings (unaudited)	<u>[(192)]</u>
Net book value of properties as at 31 December 2008	[56,558]
Revaluation deficit	<u>(9,328)</u>
Valuation as at 31 December 2008 as per Appendix III to this document	<u><u>[47,230]</u></u>

DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 8 May 2008. There were no reserves available for distribution to the shareholders as at 31 August 2008 (being the date to which the latest audited financial statements of the Group were made up) as the Company did not earn any income since its incorporation.

DIVIDEND POLICY

No dividends have been paid or declared by the Company since the date of its incorporation. For the financial year ended 31 March 2006 and the five month period ended 31 August 2008, the Group has not declared any dividends. For the financial years ended 31 March 2007 and 2008, the Group's subsidiaries paid interim dividends to their then shareholders amounting approximately HK\$22 million and HK\$75 million, respectively. The declaration and payment of dividends and their amount will be subject to the Directors' discretion. Historical dividend rates should not be used as a reference or basis for ascertaining the amounts of dividends which may be payable in the future. Generally the Company will declare dividends to the Shareholders in such amount not less than [30]% of the audited consolidated profit after tax of the Group. Whether the Group will declare additional dividends and the amount of which will also depend on factors including its business operation, earnings, surplus, financial conditions, and payments by subsidiaries of dividends to the Group. There is no assurance that any additional dividend will be declared and paid in the future.

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MATERIAL ADVERSE CHANGE

The profit of the Group for the period ended 31 August 2007 and 2008 amounted to approximately HK\$[27.7] million and approximately HK\$[4.8] million respectively, representing a drop of approximately [82.7]% or approximately HK\$[22.9] million. The decline was attributable to losses of non-cassava nature, including in particular the fair value loss on investment properties in Hong Kong, deficit on revaluation of property, plant and equipment of approximately HK\$[9.2] million for the five months ended 31 August 2008 due to general decline in the property market in Hong Kong and the gain on disposal of available-for-sale investment of approximately HK\$[16.2] million for the five month period ended 31 August 2007.

Revenue of the Group increased by approximately HK\$[60.8] million, or approximately [22.2]%, from approximately HK\$[273.7] million for the five months ended 31 August 2007 to approximately HK\$[334.5] million for the five months ended 31 August 2008. This is a net effect of a decrease in the quantity sold by approximately [18.3]% and an increase in the average selling price by approximately [24.4]% during the period.

The quantity of dried cassava chips sold by the Group for the period ended 31 August 2008 amounted to approximately [198,380] tonnes, which represented a drop of approximately [18.3]% as compared with the quantity sold of [242,764] tonnes for the period ended 31 August 2007.

The average selling price of dried cassava chips for the five months ended 31 August 2008 was approximately HK\$[1,686] per tonne, which represents a rise of approximately [49.5]% as compared with the average selling price of approximately HK\$[1,128] per tonne for the five months ended 31 August 2007. The monthly average selling price of dried cassava chips decreased from approximately HK\$[1,629] per tonne in August 2008 to approximately HK\$[1,079] per tonne in December 2008. The second half of 2008 saw the financial tsunami and a general trend of decline in prices of crude oil and denatured fuel ethanol. It is not unlikely that the selling prices of dried cassava chips will continue to be subject to turbulent fluctuation, which may affect the Group's financial performance. With a deteriorating global economy, general overall business activities may continue to slow down. Therefore, the demand for dried cassava chips in the PRC may have decreased which may have an impact on the Group's business performance. [Furthermore, in light of the riots in Thailand in 2008, the Group's business may be adversely affected if political tension escalates and causes destructive harm in Thailand.] However, the recent political events in Thailand have not caused any direct material obstacle in the daily operation (including sourcing and sales of dried cassava chips) of the Group up to the Latest Practicable Date.

The Directors confirm that save as disclosed above, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2008 (being the date to which the latest audited combined financial statements of the Group were made up).