The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

March 19, 2010

The Board of Directors
Fook Woo Group Holdings Limited

UBS AG, Hong Kong Branch
ABN AMRO Bank N.V., Hong Kong Branch, to be renamed
The Royal Bank of Scotland N.V., Hong Kong Branch in due course

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Fook Woo Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to III below, for inclusion in the prospectus of the Company dated March 19, 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Financial Information comprises the combined balance sheets of the Group as of March 31, 2007, 2008 and 2009 and September 30, 2009, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on November 11, 2009 as an exempted company with limited liability under Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1 of Section II headed "Group reorganization and basis of presentation" below, which was completed on February 21, 2010, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the Reorganization. The financial statements of the principal subsidiaries of the Group that are subject to statutory audit were audited by independent auditors and the names of the statutory auditors of these companies are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IFRS Financial Statements"). We have audited the IFRS Financial Statements for each of the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2009 in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Financial Information has been prepared based on the IFRS Financial Statements with no adjustment made thereon and on the basis set out in Note 1 of Section II below.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the IFRS Financial Statements in accordance with IFRSs.

For the financial information for each of the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended September 30, 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

Reporting accountant's responsibility

For the financial information for each of the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the IFRS Financial Statements used in preparing the financial information and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

For the financial information for the six months ended September 30, 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2009, for the purpose of this report and presented on the basis set out in Note 1 of Section II below, gives a true and fair view of the combined state of affairs of the Group as of March 31, 2007, 2008 and 2009 and September 30, 2009, and of the Group's combined results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended September 30, 2008, for the purpose of this report and presented on the basis set out in Note 1 of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 to Section II below which are in conformity with IFRSs.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Group as of March 31, 2007, 2008 and 2009 and September 30, 2009 and for each of the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2009, presented on the basis set out in Note 1 below:

COMBINED BALANCE SHEETS

		As of March 31,			As of September 30,
	Notes	2007	2008	2009	2009
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	186,730	256,480	420,498	860,220
Land use rights	16	19,279	20,739	20,498	20,492
Prepayments	20	1,486	153,309	326,825	23,735
Deferred income tax assets	17	—	—	38	—
Total non-current assets		207,495	430,528	767,859	904,447
Current assets					
Inventories	18	74,181	49,137	59,249	56,240
Trade and bills receivables	19	190,474	219,634	178,105	241,795
Prepayments, deposits and other receivables	20	41,031	61,329	84,058	67,217
Amounts due from related companies	33(b)	8,889	9,081	29,637	28,355
Tax recoverable		412	960	—	—
Cash and cash equivalents	21	38,524	176,987	52,721	66,305
Restricted bank deposits	21	—	—	—	9,294
Total current assets		353,511	517,128	403,770	469,206
Total assets		561,006	947,656	1,171,629	1,373,653
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Capital reserve	25	2,510	2,510	(2,274)	(9,425)
Reserves		271,627	558,350	735,918	851,995
Total equity		274,137	560,860	733,644	842,570
LIABILITIES					
Non-current liabilities					
Long-term borrowings	22	—	53,333	40,449	109,091
Deferred income tax liabilities	17	324	375	—	293
Total non-current liabilities		324	53,708	40,449	109,384

COMBINED BALANCE SHEETS (CONTINUED)

		As of March 31,			As of September 30,
	Notes	2007	2008	2009	2009
		HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities					
Trade and other payables	24	87,060	107,699	106,333	123,486
Short-term bank borrowings	23	9,687	86,106	160,683	172,629
Current portion of long-term borrowings	22	—	13,333	13,483	13,636
Amounts due to related companies	33(b)	360	1,563	1,568	—
Amount due to a Director	33(b)	189,438	114,909	107,337	101,311
Current income tax liabilities		—	9,478	8,132	10,637
Total current liabilities		286,545	333,088	397,536	421,699
Total liabilities		286,869	386,796	437,985	531,083
Total equity and liabilities		561,006	947,656	1,171,629	1,373,653
Net current assets		66,966	184,040	6,234	47,507
Total assets less current liabilities		274,461	614,568	774,093	951,954

COMBINED INCOME STATEMENTS

	Notes	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Six months ended September 30, 2008	Six months ended September 30, 2009
					(Unaudited)	
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	5	957,557	1,178,945	1,098,549	643,332	554,861
Cost of sales	8	(626,965)	(785,028)	(715,462)	(433,288)	(353,519)
Gross profit		330,592	393,917	383,087	210,044	201,342
Other income	6	1,968	4,079	3,324	2,030	1,514
Other gain/(loss), net	7	1,517	(7,404)	(10,132)	(3,100)	(1,902)
Administrative expenses	8	(79,671)	(97,882)	(116,199)	(57,019)	(52,544)
Selling expenses	8	(36,423)	(46,977)	(50,564)	(29,010)	(18,698)
Operating profit		217,983	245,733	209,516	122,945	129,712
Finance income	9	180	6,150	1,927	2,214	774
Finance costs	9	(1,477)	(1,166)	(11,116)	(4,893)	(5,597)
Profit before income tax		216,686	250,717	200,327	120,266	124,889
Income tax expense	10	(1,745)	(9,873)	(27,737)	(17,034)	(17,708)
Profit for the year/period attributable to equity holders of the Company		214,941	240,844	172,590	103,232	107,181
Earnings per share for profit attributable to equity holders	12	N/A	N/A	N/A	N/A	N/A
Dividends	11	8,600	—	—	—	—

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
				(Unaudited)	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit for the year/period	214,941	240,844	172,590	103,232	107,181
Other comprehensive income:					
Exchange translation differences	9,370	45,879	4,978	16,825	8,896
Total other comprehensive income for the year/period, net of tax	9,370	45,879	4,978	16,825	8,896
Total comprehensive income for the year/period attributable to equity holders of the Company	224,311	286,723	177,568	120,057	116,077

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Capital reserve	Statutory reserve	Exchange reserve	Retained earnings	Total
			(Note 26)	(Note 26)		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as of April 1, 2006		2,510	—	1,343	54,573	58,426
Profit for the year		—	—	—	214,941	214,941
Other comprehensive income:						
Currency translation differences		—	—	9,370	—	9,370
Total comprehensive income for the year ended March 31, 2007		—	—	9,370	214,941	224,311
Transfer to statutory reserve		—	19,971	—	(19,971)	—
Dividend declared	11	—	—	—	(8,600)	(8,600)
Balance as of March 31, 2007		2,510	19,971	10,713	240,943	274,137
Balance as of April 1, 2007		2,510	19,971	10,713	240,943	274,137
Profit for the year		—	—	—	240,844	240,844
Other comprehensive income:						
Currency translation differences		—	—	45,879	—	45,879
Total comprehensive income for the year ended March 31, 2008		—	—	45,879	240,844	286,723
Transfer to statutory reserve		—	23,352	—	(23,352)	—
Balance as of March 31, 2008		2,510	43,323	56,592	458,435	560,860

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Capital reserve	Statutory reserve	Exchange reserve	Retained earnings	Total
			(Note 26)	(Note 26)		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as of April 1, 2008		2,510	43,323	56,592	458,435	560,860
Profit for the year		—	—	—	172,590	172,590
Other comprehensive income:						
Currency translation differences		—	—	4,978	—	4,978
Total comprehensive income for the year ended March 31, 2009		—	—	4,978	172,590	177,568
Costs incurred for proposed issuance of new shares		(4,784)	—	—	—	(4,784)
Transfer to statutory reserve		—	6,677	—	(6,677)	—
Balance as of March 31, 2009		(2,274)	50,000	61,570	624,348	733,644
Balance as of April 1, 2009		(2,274)	50,000	61,570	624,348	733,644
Profit for the period		—	—	—	107,181	107,181
Other comprehensive income:						
Currency translation differences		—	—	8,896	—	8,896
Total comprehensive income for the six months ended September 30, 2009		—	—	8,896	107,181	116,077
Costs incurred for proposed issuance of new shares		(7,151)	—	—	—	(7,151)
Balance as of September 30, 2009		(9,425)	50,000	70,466	731,529	842,570
For the six months ended September 30, 2008 (Unaudited)						
Balance as of April 1, 2008		2,510	43,323	56,592	458,435	560,860
Profit for the period		—	—	—	103,232	103,232
Other comprehensive income:						
Currency translation differences		—	—	16,825	—	16,825
Total comprehensive income for the six months ended September 30, 2008		—	—	16,825	103,232	120,057
Balance as of September 30, 2008		2,510	43,323	73,417	561,667	680,917

FOOK WOO GROUP HOLDINGS LIMITED

COMBINED CASH FLOW STATEMENTS

	Note	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Six months ended September 30, 2008	Six months ended September 30, 2009
					(Unaudited)	
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash flows from operating activities						
Cash generated from operations	27	54,908	215,525	229,399	73,518	118,191
Interest paid		(48)	(556)	(15)	(454)	(1,563)
Income tax paid		(2,811)	(2,120)	(29,495)	(16,915)	(14,958)
Income tax refunded		93	728	832	280	—
Net cash generated from operating activities		52,142	213,577	200,721	56,429	101,670
Cash flows from investing activities						
Proceeds from disposal of property, plant and equipment		25	473	4,214	4,212	1,615
Purchase of property, plant and equipment		(11,968)	(78,712)	(160,692)	(114,171)	(120,599)
Prepayments for purchase of property, plant and equipment		—	(146,560)	(217,574)	(62,159)	(32,274)
Interest received		180	669	1,276	887	97
Net cash used in investing activities		(11,763)	(224,130)	(372,776)	(171,231)	(151,161)
Cash flows from financing activities						
Proceeds from bank borrowings		—	139,342	103,636	90,044	77,476
Repayments of bank borrowings		(21,000)	—	(33,636)	—	—
Dividends paid		(8,600)	—	—	—	—
Interest paid on bank borrowings		(1,429)	(610)	(11,101)	(4,439)	(4,035)
Increase in restricted bank deposits		—	—	—	—	(9,294)
Costs incurred for proposed issuance of new shares		—	—	(4,784)	—	(3,651)
Net cash (used in)/generated from financing activities		(31,029)	138,732	54,115	85,605	60,496
Net increase/(decrease) in cash and cash equivalents		9,350	128,179	(117,940)	(29,197)	11,005
Cash and cash equivalents net of bank overdrafts at the beginning of the year/period		18,224	28,837	165,512	165,512	50,348
Exchange gain on cash and cash equivalents		1,263	8,496	2,776	439	253
Cash and cash equivalents net of bank overdrafts at the end of the year/period	21	28,837	165,512	50,348	136,754	61,606

II. NOTES TO THE COMBINED FINANCIAL INFORMATION

1 Group reorganization and basis of presentation

(a) General information

Fook Woo Group Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on November 11, 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is the holding company of its subsidiaries (together, the "Group"). During the Relevant Periods, the subsidiaries of the Group are principally engaged in the trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and provision of confidential materials destruction services.

As the Company was not incorporated prior to September 30, 2009 and hence no Company balance sheet has been presented for the purpose of the Financial Information. As of September 30, 2009, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves as of that date.

(b) Reorganization

Mr. Leung Kai Kuen and Ms. Tam Ming Luen (hereinafter referred to as the "Founders") established various companies in Hong Kong and the People's Republic of China ("PRC") principally engaging in the trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and provision of confidential materials destruction services. In preparation for the listing of its shares on the Stock Exchange, the Company underwent the Reorganization to acquire all the subsidiaries carrying on the business of trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and provision of confidential materials destruction services (the "Core Business Entities") from the Founders and to dispose of certain group companies which are inactive or carry on other businesses (the "Non-core Business Entities"). The Reorganization principally involved:

(a) the incorporation of Fook Woo International Limited ("FW Int"), a limited liability company incorporated in the British Virgin Islands (the "BVI") on March 16, 2007, by the Founders;

(b) the incorporation of various intermediate holding companies in the BVI (the "BVI Intermediate Holding Companies") by FW Int on March 23, 2009, which are established to act as the immediate holding companies of the Core Business Entities;

(c) the transfers of the equity interests in the Core Business Entities from the Founders to the BVI Intermediate Holding Companies at a consideration which is determined with reference to the net asset value of the Core Business Entities as of the date of the respective acquisitions by their existing immediate holding companies by way of the issuance of shares by FW Int to the Founders;

(d) the disposals of the equity interests in the Non-core Business Entities by the Founders on August 5, 2009. The Non-core Business Entities consist of 100% equity interest in Hoi On Confidential Waste Management Limited, an inactive company which is disposed to one of the Founders of the Group, and 24% equity interest in Takco Limited, a company that is principally engaged in the provision of management services which is disposed to an independent third party. The Non-core Business Entities do not have a material effect on the Group's combined financial position or operating results throughout the Relevant Periods;

(e) the incorporation of the Company on November 11, 2009;

(f) the shareholder's loan payable of HK$100,000,000 owed by Golddoor Company Limited to Mr. Leung Kai Kuen was transferred from Golddoor to the Company. Subsequently, this shareholder's loan payable was capitalized by the Company by the issuance of 1,125 shares on February 21, 2010;

(g) in consideration of shares issued by the Company to the Founders, the entire equity interest in FW Int was transferred to the Company by the Founders on February 21, 2010. Thereafter, the Company became the holding company of the Core Business Entities; and

(h) Fook Woo Paper Company Limited, a company that is wholly owned by the Founders with 90% equity interest in Fook Woo Waste Paper Company Limited prior to the Reorganization and principally engaged in investment property holding, is excluded from the Financial Information on the basis that it carries on other businesses which are not similar to those of the companies now comprising the Group and that it has separate management.

Upon the completion of the Reorganization and as of the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation	Note
Directly held:					
Fook Woo International Limited	The BVI / March 16, 2007	Ordinary US$50,030	100%	Investment holding / Hong Kong	(i)
Indirectly held:					
Fook Woo Wastepaper (BVI) Company Limited	The BVI / March 23, 2009	Ordinary US$ 1	100%	Investment holding / Hong Kong	(i)
Fook Woo Assorted Paper (BVI) Company Limited	The BVI / March 23, 2009	Ordinary US$ 1	100%	Investment holding / Hong Kong	(i)
Fook Woo Environmental Technologies (BVI) Company Limited	The BVI / March 23, 2009	Ordinary US$ 1	100%	Investment holding / Hong Kong	(i)
Fook Woo Paper (BVI) Company Limited	The BVI / March 23, 2009	Ordinary US$ 1	100%	Investment holding / Hong Kong	(i)
Fook Woo CMDS (BVI) Company Limited	The BVI / March 23, 2009	Ordinary US$ 1	100%	Investment holding / Hong Kong	(i)

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation	Note
Indirectly held:					
Fook Woo Waste Paper Company Limited..........	Hong Kong / September 28, 1993	HK$ 1,000,000	100%	Sales of recovered paper /Hong Kong	(ii)
Fook Woo Assorted Paper Company Limited..........	Hong Kong / December 15, 1997	HK$ 1,000,000	100%	Sales of tissue paper products and recycled greyboard / Hong Kong	(ii)
Confidential Materials Destruction Service Limited..........................	Hong Kong / June 22, 1979	HK$ 10,000	100%	Provision of confidential materials destruction service / Hong Kong	(iii)
Fook Woo Environmental Technologies Limited......	Hong Kong / December 13, 2002	HK$ 1,000,000	100%	Procurement of waste paper / Hong Kong	(ii)
Golddoor Company Limited..........................	Hong Kong / April 29, 1981	HK$ 500,000	100%	Investment holding / Hong Kong	(ii)
惠州福和紙業有限公司# (Huizhou Fook Woo Paper Company Limited*) ("FWHZ").....	PRC / March 26, 1996	HK$74,702,492	100%	Manufacturing and sales of tissue paper products and recycled greyboard and sales of recovered paper/ PRC	(iv)
惠州福和紙業有限公司 (Huizhou Fook Woo Paper (HK) Company Limited*).......................	Hong Kong / December 4, 2007	HK$ 1	100%	Inactive	(v)

\# The company is a wholly foreign-owned enterprise.

(i) No audited financial statements have been prepared as these companies are incorporated in jurisdictions which do not have any statutory audit requirements.

(ii) The statutory financial statements of these subsidiaries for the years ended March 31, 2007, 2008 and 2009 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by PricewaterhouseCoopers.

(iii) The statutory financial statements of this subsidiary for the period from January 1, 2007 to March 31, 2008 (due to change in financial year end from December 31 to March 31) and for year ended March 31, 2009 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by PricewaterhouseCoopers.

(iv) The statutory financial statements of this subsidiary for each of the years ended December 31, 2007, 2008 and 2009 were audited by 深圳九龍城會計師事務所* (Shenzhen Jiu Long Chen Certified Public Accountants Co., Ltd.). All these audited financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC.

(v) The statutory financial statements of this subsidiary for the period from December 4, 2007 (date of incorporation) to March 31, 2009 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by PricewaterhouseCoopers.

* The English names of certain subsidiaries and an auditor represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

(c) Basis of presentation

For the purpose of this report, the Financial Information is prepared on a combined basis as prescribed by the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information includes the combined financial position, results and cash flows of the companies now comprising the Group (including the Non-core Business Entities as defined in Note 1(b) above up to the date of disposal) as if the existing group structure had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment or since the date when the combining entities first came under common control, whichever is the later.

All significant intra-group transactions and balances have been eliminated on combination.

2 Summary of significant accounting policies

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), under the historical cost convention.

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new/revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the period ended September 30, 2009 and which the Group has not early adopted:

IAS 24 (Revised)	Related Party Disclosures (effective for annual periods beginning on or after January 1, 2011)
IAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009)
IAS 32 (Amendment)	Financial Instruments: Presentation on Classification of Rights Issue (effective for annual periods beginning on or after February 1, 2010)
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after July 1, 2009)

IFRS 1 (Revised)	First-time Adoption of IFRS (effective for annual periods beginning on or after July 1, 2009)
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after January 1, 2010)
IFRS 2 (Amendment)	Share based payments — Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010)
IFRS 3 (Revised)	Business Combinations (effective for annual periods beginning on or after July 1, 2009)
IFRS 9	Financial Instruments (effective for annual periods beginning on or after January 1, 2013)
IFRIC 14 (Amendment)	Prepayment of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011)
IFRIC 17	Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009)
IFRIC 18	Transfers of Assets from Customers (effective for annual periods beginning on or after July 1, 2009)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010)

Improvements to IFRS — Amendments to:

IAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2010)
IAS 7	Statement of Cash Flows (effective for annual periods beginning on or after January 1, 2010)
IAS 17	Leases (effective for annual periods beginning on or after January 1, 2010)
IAS 18	Revenue (effective for annual periods beginning on or after January 1, 2010)
IAS 36	Impairment of Assets (effective for annual periods beginning on or after January 1, 2010)
IAS 38	Intangible Assets (effective for annual periods beginning on or after July 1, 2009)
IAS 39	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after January 1, 2010)
IFRS 2	Share-based Payment (effective for annual periods beginning on or after July 1, 2009)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (First and second amendments to be effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, respectively)
IFRIC 9 and IFRS 3 (Revised)	Reassessment of Embedded Derivatives (effective for annual periods beginning on or after July 1, 2009)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after July 1, 2009)

The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a significant impact to its results of operations and financial position.

Amendment early adopted by the Group

The Group early adopted the Improvement to IFRSs 2009 — Amendment to IFRS 8 Operating Segments (effective for annual periods beginning on or after January 1, 2010). The revised standard requires that measure of segment assets should only be disclosed when such information is regularly provided to the chief operating decision maker.

2.1 Consolidation

The Financial Information includes the financial statements of the Company and all of its subsidiaries.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(ii) Business combination under common control

The Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values as per the financial statements of the companies now comprising the Group. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognized directly in equity as part of reserve.

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities and businesses had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is the later.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where the companies comprising the Group have financial year ends other than March 31, their financial statements for years ended March 31 are used for the purpose of preparation of the Group's combined financial statements.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which is the Board of Directors of the companies now comprising the Group. The chief operating decision maker is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the companies now comprising the Group are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars ("HK$"), which is the Company's presentation currency. The functional currency of the Company is Renminbi ("RMB"). The directors of the Company are of the view that HK$ is more relevant to the shareholders of the Company, and as such have chosen HK$ as the presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the combined income statements.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined income statements within finance income or costs. All other foreign exchange gains and losses are presented in the combined income statements within other gain/(loss) — net.

(iii) Group companies

The results and financial position of all the companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet of the companies now comprising the Group are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement of the companies now comprising the Group are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are recognized in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognized in the combined income statements as part of the gain or loss on sale.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	4.5%
Leasehold improvements	20% or unexpired lease term, whichever is shorter
Plant and machinery	9% – 30%
Furniture, fixtures and equipment	18% – 30%
Motor vehicles	18% – 30%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

All asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in other gains/(losses) in the combined income statements.

Construction in progress is stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the construction and comprises construction costs and applicable borrowing costs incurred during the construction period. On completion, the construction in progress is transferred to other categories within property, plant and equipment.

No depreciation is provided for construction in progress. The carrying amount of construction in progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

2.5 Land use rights

Land use rights are up-front payments to acquire long-term interest in leasehold land, which are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the land from the date when the respective rights were granted. Amortization of land use rights is calculated on a straight-line basis over the period of the lease and is recognized in the combined income statements within administrative expenses.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivables', 'other receivables', 'amounts due from related companies', 'cash and cash equivalents' and 'restricted bank deposits' in the combined balance sheets.

Regular way of purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortized cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in note 2.9.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), and where appropriate, subcontracting charges. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the combined income statements within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the combined income statements.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the combined balance sheets.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade and other payables

Payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the combined income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Current and deferred income tax

The tax expense for the Relevant Periods comprises current and deferred tax. Tax is recognized in the combined income statements, except to the extent that it relates to items recognized directly in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Pension obligations

The Group participates in defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognized as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where applicable. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the relevant regulations of the PRC government, the subsidiary in the PRC participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the subsidiary in the PRC. Contributions under the Scheme are charged to the combined income statements as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.16 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that an outflow is probable, it will then be recognized as a provision.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognized when the Group has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Service income

Revenue is recognized when services are rendered.

(c) Interest income

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

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the combined income statements on a straight-line basis over the period of the lease.

2.19 Dividend distribution

Dividend distribution to the then equity holders of the companies now comprising the Group during the Relevant Periods is recognized as a liability in the Financial Information in the period in which the dividends are approved.

3 Financial risk management

3.1 Financial risk factors

The Group's major financial instruments include cash and bank deposits, trade and bills receivables, other receivables, trade and other payables, amounts due from/to related companies and a Director and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Foreign currency risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in various foreign currencies primarily RMB, HK$ and United States dollar ("USD").

The majority of assets and liabilities are denominated in RMB, HK$ and USD, and there are no significant assets and liabilities denominated in other currencies.

The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognized assets and liabilities which are denominated in a currency other than HK$ or RMB (the functional currencies of the companies now comprising the Group). The Group currently does not have a foreign currency hedging policy.

Since HK$ is pegged to USD, management considers that there is no significant foreign currency risk between these two currencies to the Group.

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of foreign currency rates.

For companies with HK$ as their functional currency

As of March 31, 2007, 2008, 2009 and September 30, 2009, there are no significant assets and liabilities denominated in RMB, and hence there is no significant foreign currency risk between these two currencies to the Group.

For companies with RMB as their functional currency

As of March 31, 2007, 2008, 2009 and September 30, 2009, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit for the years ended March 31, 2007, 2008, 2009 and the six months ended September 30, 2009 would have been approximately HK$934,000, HK$3,286,000, HK$3,281,000 and HK$7,430,000 higher/lower, mainly as a result of the foreign exchange gains/losses on translation of HK$ denominated cash and bank deposits, trade and bills receivables, borrowings as well as the current account with related parties.

As of March 31, 2007, 2008 and 2009, if USD had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit would have been approximately HK$167,000, HK$609,000 and HK$413,000 lower/higher, mainly as a result of the foreign exchange losses/gains on translation of USD denominated cash and bank deposits and trade and bills receivables. For the six months ended September 30, 2009, if USD had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit would have been approximately HK$362,000 higher/lower, mainly as a result of the foreign exchange gains/losses on translation of USD denominated cash and bank deposits and borrowings.

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies and deposits placed with banks. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with borrowing covenants, to ensure that it maintains sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities.

Management monitors the Group's liquidity by preparing and reviewing rolling cashflow forecast that covers (i) monthly cash flow forecast for the coming month and (ii) quarterly cash flows forecast for the next three-month period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if the contracting rates are floating, based on rates at the balance sheet date). Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At March 31, 2007				
Short-term bank borrowings	9,687	—	—	9,687
Trade and other payables	87,060	—	—	87,060
Amount due to a Director	189,438	—	—	189,438
Amounts due to related companies	360	—	—	360
	286,545	—	—	286,545
At March 31, 2008				
Short-term bank borrowings, including interest payable	90,289	—	—	90,289
Long-term borrowings, including the current portion and interest payable	18,564	16,278	43,244	78,086
Trade and other payables	107,699	—	—	107,699
Amount due to a Director	114,909	—	—	114,909
Amounts due to related companies	1,563	—	—	1,563
	333,024	16,278	43,244	392,546
At March 31, 2009				
Short-term bank borrowings, including interest payable	168,070	—	—	168,070
Long-term borrowings, including the current portion and interest payable	16,278	15,347	27,898	59,523
Trade and other payables	106,333	—	—	106,333
Amount due to a Director	107,337	—	—	107,337
Amounts due to related companies	1,568	—	—	1,568
	399,586	15,347	27,898	442,831
At September 30, 2009				
Short-term bank borrowings, including interest payable	178,390	—	—	178,390
Long-term borrowings, including the current portion and interest payable	21,236	37,162	86,244	144,642
Trade and other payables	123,486	—	—	123,486
Amount due to a Director	101,311	—	—	101,311
	424,423	37,162	86,244	547,829

(d) Interest rate risk

As the Group has no significant assets that bear floating interest rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from its bank deposits and borrowings. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As of March 31, 2007, 2008, 2009 and September 30, 2009, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the years ended March 31, 2007, 2008, 2009 and the six months ended September 30, 2009 would have been HK$97,000, HK$1,528,000, HK$2,146,000 and HK$2,954,000 lower/higher, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

As of March 31, 2007, 2008, 2009 and September 30, 2009, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the years ended March 31, 2007, 2008, 2009 and the six months ended September 30, 2009 would have been HK$385,000, HK$1,770,000, HK$527,000 and HK$756,000 higher/lower, mainly as a result of higher/lower interest income earned.

The Group monitors its interest rate exposure on a dynamic basis and will consider the interest rate exposure when entering into any financing, renewal of existing positions and alternative financing transactions.

3.2 Capital risk management

The Group regards its shareholders' equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and amount due to a Director as shown in the combined balance sheets) less cash and cash equivalents and restricted bank deposits. Total capital is calculated as 'equity', as shown in the combined balance sheets, plus net debt.

During the Relevant Periods, the Group's strategy was to maintain a gearing ratio below 40%. The gearing ratios as of March 31, 2007, 2008, 2009 and September 30, 2009 were as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Total borrowings (Note 22 and 23)	9,687	152,772	214,615	295,356
Amount due to a Director	189,438	114,909	107,337	101,311
	199,125	267,681	321,952	396,667
Less: Cash and cash equivalents (Note 21)	(38,524)	(176,987)	(52,721)	(66,305)
Less: Restricted bank deposits	—	—	—	(9,294)
Net debt	160,601	90,694	269,231	321,068
Total equity	274,137	560,860	733,644	842,570
Total capital	434,738	651,554	1,002,875	1,163,638
Gearing ratio	37%	14%	27%	28%

The decrease in gearing ratio for the years ended March 31, 2008 and 2009 was resulted primarily from the increase in equity generated from the profit from operations.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including restricted bank deposits, cash and cash equivalents, trade and bills receivables, other receivables, trade and other payables, amounts due from/to related companies and a Director approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimate of useful lives of property, plant and equipment

The Group has significant property, plant and equipment. The Group determines the estimated useful lives and residual values in order to ascertain the amount of depreciation charges for each reporting period. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives or residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Provision for impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realizable value. In assessing the net realizable value and making appropriate allowances, management identifies, using their judgment, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items.

(c) Provision for impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each balance sheet date.

Significant judgment is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Income taxes

The Group is subject to income tax in various jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(e) Land use rights

As of September 30, 2009, the Group had not yet obtained title certificates for certain land use rights with a total net book value of HK$9,616,000. In addition, net book value of buildings built upon these parcels of land as of September 30, 2009 amounted to HK$156,382,000. As of September 30, 2009, the Group was in the process of obtaining the necessary title certificates from the relevant government authorities. Management believes that the Group will be able to obtain these title certificates. If the Group is unable to obtain these title certificates, it may have a material adverse effect on the Group's financial position, results of operations and cash flow.

5 Segment information

The Board of Directors of the companies now comprising the Group, which is the chief operating decision maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organized into four business segments:

- Recovered paper — sales of recovered papers
- Tissue paper products — manufacturing and sales of tissue paper products
- Recycled greyboard — manufacturing and sales of recycled greyboard
- Confidential materials destruction ("CMD") — provision of confidential materials destruction services

Although the Group's products and services are sold/rendered to the PRC and overseas markets, the chief operating decision maker of the Group regularly reviews the combined financial information by business segment to assess performance and make resources allocation decisions.

Revenue consists of sales of recovered papers, tissue paper products and recycled greyboard and provision of confidential materials destruction services. Revenue of the Relevant Periods consists of the following:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Sales of recovered paper	504,771	681,764	597,809	384,197	292,452
Sales of tissue paper products	332,157	389,184	457,662	229,394	247,418
Sales of recycled greyboard	117,051	104,579	39,150	27,833	13,107
Provision of confidential materials destruction services	3,578	3,418	3,928	1,908	1,884
	957,557	1,178,945	1,098,549	643,332	554,861

The analysis of the Group's revenue from external customers attributed to the locations in which the sale originated during the Relevant Periods consists of the following:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Hong Kong	234,095	262,744	335,890	209,327	186,558
The PRC	723,462	916,201	762,659	434,005	368,303
	957,557	1,178,945	1,098,549	643,332	554,861

Details of the customers accounting for 10% or more of total revenue are as follows:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Customer A	Note	Note	128,925	Note	58,322

Note:

Less than 10%

The geographical location of non-current assets other than deferred tax assets are determined based on the countries of domicile of the companies now comprising the Group.

The total of non-current assets other than deferred tax assets located in Hong Kong as of March 31, 2007, 2008, 2009 and September 30, 2009 was HK$6,765,000, HK$60,816,000, HK$198,467,000 and HK$198,111,000 respectively, and the total of these non-current assets located in other countries as of March 31, 2007, 2008, 2009 and September 30, 2009 was HK$200,730,000, HK$369,712,000, HK$569,354,000 and HK$706,336,000 respectively.

The segment results and other segment items included in the profit for the year ended March 31, 2007 are as follows:

	Recovered paper	Tissue paper products	Recycled greyboard	CMD	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	504,771	332,157	117,051	3,578	957,557
Cost of sales	(327,272)	(215,917)	(81,887)	(1,889)	(626,965)
Segment gross profit	177,499	116,240	35,164	1,689	330,592
Unallocated operating costs					(112,609)
Finance costs, net					(1,297)
Profit before income tax					216,686
Income tax expense					(1,745)
Profit for the year					214,941

The segment results and other segment items included in the profit for the year ended March 31, 2008 are as follows:

	Recovered paper	Tissue paper products	Recycled greyboard	CMD	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	681,764	389,184	104,579	3,418	1,178,945
Cost of sales	(450,393)	(257,620)	(75,211)	(1,804)	(785,028)
Segment gross profit	231,371	131,564	29,368	1,614	393,917
Unallocated operating costs					(148,184)
Finance income, net					4,984
Profit before income tax					250,717
Income tax expense					(9,873)
Profit for the year					240,844

The segment results and other segment items included in the profit for the year ended March 31, 2009 are as follows:

	Recovered paper	Tissue paper products	Recycled greyboard	CMD	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	597,809	457,662	39,150	3,928	1,098,549
Cost of sales	(398,072)	(282,813)	(32,489)	(2,088)	(715,462)
Segment gross profit	199,737	174,849	6,661	1,840	383,087
Unallocated operating costs					(173,571)
Finance costs, net					(9,189)
Profit before income tax					200,327
Income tax expense					(27,737)
Profit for the year					172,590

The segment results and other segment items included in the profit for the six months ended September 30, 2009 are as follows:

	Recovered paper	Tissue paper products	Recycled greyboard	CMD	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	292,452	247,418	13,107	1,884	554,861
Cost of sales	(197,222)	(141,088)	(14,251)	(958)	(353,519)
Segment gross profit/(loss)	95,230	106,330	(1,144)	926	201,342
Unallocated operating costs					(71,630)
Finance costs, net					(4,823)
Profit before income tax					124,889
Income tax expense					(17,708)
Profit for the period					107,181

The segment results and other segment items included in the profit for the six months ended September 30, 2008 are as follows:

	Recovered paper	Tissue paper products	Recycled greyboard	CMD	Group
	HK$'000 (Unaudited)	HK$'000 (Unaudited)	HK$'000 (Unaudited)	HK$'000 (Unaudited)	HK$'000 (Unaudited)
Revenue	384,197	229,394	27,833	1,908	643,332
Cost of sales	(260,814)	(152,739)	(18,701)	(1,034)	(433,288)
Segment gross profit	123,383	76,655	9,132	874	210,044
Unallocated operating costs					(87,099)
Finance costs, net					(2,679)
Profit before income tax					120,266
Income tax expense					(17,034)
Profit for the period					103,232

6 Other income

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Sales of scrapped materials	705	2,006	1,349	911	680
Sales of packaging materials	—	—	420	209	189
Service income	233	493	475	173	224
Others	1,030	1,580	1,080	737	421
	1,968	4,079	3,324	2,030	1,514

7 Other gain/(loss) — net

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Foreign exchange gain/(loss), net	1,492	(7,589)	(4,776)	2,055	(2,321)
Gain/(loss) on disposals of property, plant and equipment, net	25	185	(5,459)	(5,255)	298
Others	—	—	103	100	121
	1,517	(7,404)	(10,132)	(3,100)	(1,902)

8 Expenses by nature

Expenses included in cost of sales, administrative expenses and selling expenses are analyzed as follows:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Auditor's remuneration	1,590	1,408	1,449	728	797
Amortization of land use rights (Note 16)	417	443	479	231	240
Provision for impairment of trade receivables (Note 19)	1,755	1,451	2,308	2,026	1,811
Provision for impairment of deposits and prepayments to suppliers	477	639	2,970	—	—
Direct write off of trade receivables	78	313	539	—	—
Direct write off of deposits and prepayments to suppliers	—	10	3,895	1,354	—
Cost of inventories sold (Note 18)	556,299	696,308	616,770	391,235	308,790
Depreciation (Note 15)	27,659	29,418	32,751	15,230	23,158
Operating lease charges in respect of land and buildings	5,330	4,719	5,106	2,710	2,838
Staff costs (Note 13)	45,925	60,385	64,563	33,041	26,689
Directors' emoluments (Note 14)	2,549	2,808	2,689	1,345	1,423
Transportation costs	50,177	64,341	65,021	37,573	26,444
Donations	1,564	2,376	3,164	2,282	791
Handling charges	1,945	1,107	945	463	341
Other expenses	47,294	64,161	79,576	31,099	31,439
Total cost of sales, administrative expenses and selling expenses	743,059	929,887	882,225	519,317	424,761

9 Finance income and costs

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Finance income	180	6,150	1,927	2,214	774
Finance costs					
Interest expenses on bank borrowings	(1,429)	(1,166)	(11,101)	(4,893)	(5,597)
Others	(48)	—	(15)	—	—
	(1,477)	(1,166)	(11,116)	(4,893)	(5,597)

10 Income tax expense

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Current income tax					
— Hong Kong profits tax	1,854	893	1,269	2,960	941
— PRC corporate income tax	—	8,979	27,067	14,203	16,476
Under/(over) provisions in prior years	191	(50)	(186)	(186)	(40)
	2,045	9,822	28,150	16,977	17,377
Deferred tax					
Origination and reversal of temporary differences	(300)	51	(392)	68	331
Impact of change in Hong Kong tax rate	—	—	(21)	(11)	—
	(300)	51	(413)	57	331
Income tax expense	1,745	9,873	27,737	17,034	17,708

Hong Kong profits tax has been provided at the rate of 17.5%, 17.5%, 16.5%, 16.5% and 16.5% on the estimated assessable profit for the years ended March 31, 2007, 2008, 2009 and the six months ended September 30, 2008 and 2009 respectively.

FWHZ, a subsidiary operating in the PRC, was eligible for corporate tax exemption for the year ended March 31, 2007 and 9 months ended December 31, 2007, followed by a 50% reduction in corporate income tax rate in the next three years from January 1, 2008 to December 31, 2010.

The new PRC corporate income tax law introduces various changes which include the unification of the corporate income tax rate for domestic and foreign enterprises at 25% with effect from January 1, 2008. Pursuant to Notice (2007) 39 "Notice on Implementation of Corporate Income Tax Transitional Preferential Treatment" issued by the PRC State Council on December 26, 2007, enterprises enjoying specific preferential tax treatment which extended for a fixed term prior to January 1, 2008 will still be entitled to this treatment until the fixed term expires. Accordingly, the applicable corporate income tax rate for FWHZ would be 12.5% in calendar year 2008, 12.5% in calendar year 2009, 12.5% in calendar year 2010 and 25% in calendar year 2011 and onwards. The applicable corporate income tax rates for FWHZ during the Relevant Periods were as follows:

Period from January 1, 2006 to December 31, 2006	0%
Period from January 1, 2007 to December 31, 2007	0%
Period from January 1, 2008 to December 31, 2008	12.5%
Period from January 1, 2009 to September 30, 2009	12.5%

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries of the companies now comprising the Group as follows:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Profit before income tax	216,686	250,717	200,327	120,266	124,889
Tax calculated at tax rates applicable to profits in the respective countries	53,862	61,769	49,445	28,192	30,849
Tax effects of:					
Tax holiday on assessable profits of a subsidiary incorporated in the PRC	(53,892)	(45,611)	—	—	—
Effect of preferential tax rates	—	(8,979)	(23,936)	(14,203)	(16,477)
Income not subject to tax	(362)	(63)	(100)	(45)	(1)
Expenses not deductible for tax purposes	1,394	2,332	2,979	3,442	3,377
Tax losses for which no deferred income tax asset was recognized	—	473	—	—	—
Utilization of previously unrecognized tax losses	—	—	(444)	(155)	—
Under/(over) provisions in prior years	191	(50)	(186)	(186)	(40)
Re-measurement of deferred tax — change in Hong Kong tax rate	—	—	(21)	(11)	—
Others	552	2	—	—	—
Income tax expense	1,745	9,873	27,737	17,034	17,708

11 Dividends

The following dividends were declared by the companies now comprising the Group to their then equity owners throughout the Relevant Periods:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Dividends	8,600	—	—	—	—

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

The aggregate amounts of the dividend paid in the year ended March 31, 2007 has been disclosed in the combined income statement in accordance with the Hong Kong Companies Ordinance.

12 Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganization and the presentation of the results for the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2008 and 2009 on combined basis as disclosed in Note 1.

13 Employee benefit expense, excluding directors' emoluments

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Wages and salaries	37,900	49,084	53,346	26,798	22,290
Retirement schemes contributions	1,442	1,589	2,404	1,037	615
Social security costs	5,443	7,479	7,075	3,819	2,483
Other allowances and benefits	1,140	2,233	1,738	1,387	1,301
	45,925	60,385	64,563	33,041	26,689

14 Emoluments for directors and five highest paid individuals

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the Relevant Periods are as follows:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Fees	—	—	—	—	—
Salaries, allowance and benefits in kind	2,295	2,436	2,485	1,243	1,320
Discretionary bonus	113	153	—	—	—
Retirement schemes contributions	141	219	204	102	103
	2,549	2,808	2,689	1,345	1,423

The emoluments of each Director of the Company during the Relevant Periods are as follows:

	For the year ended March 31, 2007				
	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director:					
Mr. Leung Kai Kuen	—	1,195	60	117	1,372
Mr. Leung Tat Piu	—	480	—	12	492
Mr. Cheng Chun Keung, Thomas	—	620	53	12	685
Non-executive director:					
Ms. Cheung Nga Lai, Carol	—	—	—	—	—
Independent non-executive director:					
Mr. Chung Wai Kwok, Jimmy	—	—	—	—	—
Mr. Cheng Yu Hong	—	—	—	—	—
Mr. Chan Kong, Dennis	—	—	—	—	—
	—	2,295	113	141	2,549

	For the year ended March 31, 2008				
	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director:					
Mr. Leung Kai Kuen	—	1,326	100	195	1,621
Mr. Leung Tat Piu	—	480	—	12	492
Mr. Cheng Chun Keung, Thomas	—	630	53	12	695
Non-executive director:					
Ms. Cheung Nga Lai, Carol	—	—	—	—	—
Independent non-executive director:					
Mr. Chung Wai Kwok, Jimmy	—	—	—	—	—
Mr. Cheng Yu Hong	—	—	—	—	—
Mr. Chan Kong, Dennis	—	—	—	—	—
	—	2,436	153	219	2,808

	For the year ended March 31, 2009				
	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director:					
Mr. Leung Kai Kuen	—	1,200	—	180	1,380
Mr. Leung Tat Piu	—	480	—	12	492
Mr. Cheng Chun Keung, Thomas	—	805	—	12	817
Non-executive director:					
Ms. Cheung Nga Lai, Carol	—	—	—	—	—
Independent non-executive director:					
Mr. Chung Wai Kwok, Jimmy	—	—	—	—	—
Mr. Cheng Yu Hong	—	—	—	—	—
Mr. Chan Kong, Dennis	—	—	—	—	—
	—	2,485	—	204	2,689

	For the six months ended September 30, 2008 (Unaudited)				
	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director:					
Mr. Leung Kai Kuen	—	600	—	90	690
Mr. Leung Tat Piu	—	240	—	6	246
Mr. Cheng Chun Keung, Thomas	—	403	—	6	409
Non-executive director:					
Ms. Cheung Nga Lai, Carol	—	—	—	—	—
Independent non-executive director:					
Mr. Chung Wai Kwok, Jimmy	—	—	—	—	—
Mr. Cheng Yu Hong	—	—	—	—	—
Mr. Chan Kong, Dennis	—	—	—	—	—
	—	1,243	—	102	1,345

	For the six months ended September 30, 2009				
	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director:					
Mr. Leung Kai Kuen	—	600	—	90	690
Mr. Leung Tat Piu	—	240	—	6	246
Mr. Cheng Chun Keung, Thomas	—	420	—	6	426
Non-executive director:					
Ms. Cheung Nga Lai, Carol	—	60	—	1	61
Independent non-executive director:					
Mr. Chung Wai Kwok, Jimmy	—	—	—	—	—
Mr. Cheng Yu Hong	—	—	—	—	—
Mr. Chan Kong, Dennis	—	—	—	—	—
	—	1,320	—	103	1,423

During the Relevant Periods, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No Director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group during the Relevant Periods included 3, 3, 2, 2 and 2 directors respectively. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2, 2, 3, 3 and 3 individuals respectively during the Relevant Periods are as follows:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Salaries, allowance and benefits in kind	3,648	4,584	5,784	2,892	2,580
Discretionary bonus	272	300	300	150	174
Retirement schemes contributions	440	585	645	323	299
	4,360	5,469	6,729	3,365	3,053

The emoluments fell within the following bands:

	Number of individuals				
	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
				(Unaudited)	
HK$ Nil to HK$1,000,000	—	—	—	1	1
HK$1,000,001 to HK$2,000,000	1	—	1	2	2
HK$2,000,001 to HK$3,000,000	1	2	2	—	—
	2	2	3	3	3

15 Property, plant and equipment

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At April 1, 2006							
Cost	85,743	5,984	209,058	7,383	21,297	—	329,465
Accumulated depreciation	(21,115)	(4,605)	(92,031)	(5,609)	(15,648)	—	(139,008)
Net book amount	64,628	1,379	117,027	1,774	5,649	—	190,457
Year ended March 31, 2007							
Opening net book amount	64,628	1,379	117,027	1,774	5,649	—	190,457
Exchange differences	3,215	—	5,584	38	138	—	8,975
Additions	1,629	543	10,269	412	2,104	—	14,957
Depreciation	(4,066)	(634)	(19,987)	(724)	(2,248)	—	(27,659)
Closing net book amount	65,406	1,288	112,893	1,500	5,643	—	186,730
At March 31, 2007							
Cost	91,736	6,527	229,139	7,887	23,760	—	359,049
Accumulated depreciation	(26,330)	(5,239)	(116,246)	(6,387)	(18,117)	—	(172,319)
Net book amount	65,406	1,288	112,893	1,500	5,643	—	186,730
Year ended March 31, 2008							
Opening net book amount	65,406	1,288	112,893	1,500	5,643	—	186,730
Exchange differences	6,327	—	10,445	111	429	3,362	20,674
Additions	538	606	10,582	1,388	5,136	60,532	78,782
Disposals	—	—	(100)	—	(188)	—	(288)
Depreciation	(4,381)	(637)	(21,289)	(754)	(2,357)	—	(29,418)
Closing net book amount	67,890	1,257	112,531	2,245	8,663	63,894	256,480
At March 31, 2008							
Cost	101,477	7,133	261,019	9,532	28,959	63,894	472,014
Accumulated depreciation	(33,587)	(5,876)	(148,488)	(7,287)	(20,296)	—	(215,534)
Net book amount	67,890	1,257	112,531	2,245	8,663	63,894	256,480

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended March 31, 2009							
Opening net book amount	67,890	1,257	112,531	2,245	8,663	63,894	256,480
Exchange differences	551	—	855	14	55	(505)	970
Additions	358	636	65,549	1,127	5,401	132,401	205,472
Transfers between categories	23,542	—	—	—	—	(23,542)	—
Disposals	—	—	(9,476)	—	(197)	—	(9,673)
Depreciation	(5,012)	(594)	(23,311)	(752)	(3,082)	—	(32,751)
Closing net book amount	87,329	1,299	146,148	2,634	10,840	172,248	420,498
At March 31, 2009							
Cost	126,249	7,769	303,157	10,642	31,279	172,248	651,344
Accumulated depreciation	(38,920)	(6,470)	(157,009)	(8,008)	(20,439)	—	(230,846)
Net book amount	87,329	1,299	146,148	2,634	10,840	172,248	420,498
Period ended September 30, 2009							
Opening net book amount	87,329	1,299	146,148	2,634	10,840	172,248	420,498
Exchange differences	992	—	1,642	17	75	1,957	4,683
Additions	—	—	226,816	109	1,868	230,721	459,514
Transfers between categories	112,371	—	62,129	—	—	(174,500)	—
Disposals	—	—	(891)	—	(426)	—	(1,317)
Depreciation	(3,801)	(215)	(17,075)	(350)	(1,717)	—	(23,158)
Closing net book amount	196,891	1,084	418,769	2,410	10,640	230,426	860,220
At September 30, 2009							
Cost	240,054	7,768	588,946	10,793	31,580	230,426	1,109,567
Accumulated depreciation	(43,163)	(6,684)	(170,177)	(8,383)	(20,940)	—	(249,347)
Net book amount	196,891	1,084	418,769	2,410	10,640	230,426	860,220

As of March 31, 2008, 2009 and September 30, 2009, buildings with net book value of approximately HK$67,890,000, HK$87,329,000 and HK$196,891,000 were pledged as collateral for the Group's borrowings, respectively (Note 28). As of September 30, 2009, plant and machinery with net book value of approximately HK$417,368,000 were pledged as collateral for the Group's borrowings (Note 28).

The buildings are located in the PRC with lease of between 48 to 52 years.

Depreciation of the Group's property, plant and equipment has been charged to the combined income statements as follows:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Cost of sales	22,523	25,017	27,556	12,860	17,834
Administrative expenses	5,136	4,401	5,195	2,370	5,324
	27,659	29,418	32,751	15,230	23,158

16 Land use rights

The movements of land use rights are as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Opening net book amount	18,757	19,279	20,739	20,498
Amortization	(417)	(443)	(479)	(240)
Exchange differences	939	1,903	238	234
Closing net book amount	19,279	20,739	20,498	20,492

Amortization of land use rights has been included in administrative expenses.

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
In the PRC, held on unexpired lease terms between 10 to 50 years	19,279	20,739	20,498	20,492

As of March 31, 2008, 2009 and September 30, 2009, land use rights of carrying values of approximately HK$20,739,000, HK$20,498,000 and HK$20,492,000 were pledged as collateral for the Group's borrowings, respectively (Note 28).

17 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority.

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred income tax assets:				
— to be realized after more than 12 months	2	—	462	72
— to be realized within 12 months	—	—	—	—
	2	—	462	72
Deferred tax liabilities:				
— to be realized after more than 12 months	(326)	(375)	(424)	(365)
— to be realized within 12 months	—	—	—	—
	(326)	(375)	(424)	(365)
Deferred income tax (liabilities)/assets, net	(324)	(375)	38	(293)

The movement on the deferred income tax account is as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Beginning of the year/period	(624)	(324)	(375)	38
Recognized in the combined income statements (Note 10)	300	(51)	413	(331)
End of the year/period	(324)	(375)	38	(293)

The movement in deferred income tax assets/(liabilities) during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At April 1, 2006	—	(624)	(624)
Credited to the combined income statements	—	300	300
At March 31, 2007	—	(324)	(324)
Charged to the combined income statements	—	(51)	(51)
At March 31, 2008	—	(375)	(375)
Credited/(charged) to the combined income statements	421	(8)	413
At March 31, 2009	421	(383)	38
(Charged)/credited to the combined income statements	(421)	90	(331)
At September 30, 2009	—	(293)	(293)

Deferred income tax asset are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As of March 31, 2008, there were unrecognized tax losses of approximately HK$2,704,000 to be carried forward to offset against future taxable profits.

Deferred income tax liabilities of HK$2,724,000, HK$11,678,000 and HK$17,341,000 have not been recognized as of March 31, 2008, 2009 and September 30, 2009 respectively for the withholding tax and other taxes that would be payable on the unremitted earnings of a subsidiary. Unremitted earnings totalled HK$249,894,000, HK$487,406,000, HK$658,502,000 and HK$769,105,000 at March 31, 2007, 2008, 2009 and September 30, 2009 respectively.

18 Inventories

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Raw materials, at cost	46,502	35,349	42,511	35,988
Finished goods, at cost	27,679	13,788	16,738	20,252
	74,181	49,137	59,249	56,240

The cost of inventories recognized as an expense and included in "cost of sales" amounted to HK$556,299,000, HK$696,308,000, HK$616,770,000, HK$391,235,000 (unaudited) and HK$308,790,000 for the years ended March 31, 2007, 2008, 2009 and the six months ended September 30, 2008 and 2009 respectively.

19 Trade and bills receivables

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and bills receivables	192,229	222,885	182,245	247,572
Less: provision for impairment	(1,755)	(3,251)	(4,140)	(5,777)
Trade and bills receivables — net	190,474	219,634	178,105	241,795

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 10 days to 90 days. The ageing analysis of trade and bills receivables based on due date at the balance sheet dates is as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Current	131,045	143,486	107,358	149,219
1 – 30 days	30,409	29,926	25,623	52,527
31 – 60 days	15,722	19,658	15,892	19,688
61 – 90 days	5,550	12,831	12,133	5,716
91 – 120 days	1,319	4,504	5,757	3,259
Over 120 days	8,184	12,480	15,482	17,163
	192,229	222,885	182,245	247,572
Less: Provision for impairment	(1,755)	(3,251)	(4,140)	(5,777)
	190,474	219,634	178,105	241,795

As of March 31, 2007, 2008, 2009 and September 30, 2009, trade receivables of approximately HK$59,429,000, HK$76,148,000, HK$70,747,000 and HK$92,576,000 were past due but not impaired. These relate to certain customers with no history of credit default and they are in continuous trading with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered as fully recoverable. The ageing analysis of these trade receivables based on due date is as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
1 – 30 days	30,409	29,926	25,623	52,527
31 – 60 days	15,722	19,658	15,892	19,688
61 – 90 days	5,550	12,831	12,133	5,716
91 – 120 days	1,319	4,504	5,757	3,259
Over 120 days	6,429	9,229	11,342	11,386
	59,429	76,148	70,747	92,576

As of March 31, 2007, 2008, 2009 and September 30, 2009, trade receivables of approximately HK$1,755,000, HK$3,251,000, HK$4,140,000 and HK$5,777,000 were impaired and fully provided for. The individually impaired receivables were mainly related to smaller customers which were in financial difficulties. The ageing analysis of these non-recoverable receivables based on due date is as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Over 120 days	1,755	3,251	4,140	5,777

Movement on the provision for impairment of trade receivables is as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of the year/period	2	1,755	3,251	4,140
Provision recognized in the combined income statements	1,755	1,451	2,308	1,811
Receivables written off during the year/period as uncollectible	(2)	—	(1,450)	(177)
Reversal of allowance made	—	(35)	(1)	(24)
Exchange differences	—	80	32	27
At end of the year/period	1,755	3,251	4,140	5,777

The carrying amounts of trade and bills receivables are denominated in the following currencies:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
HK$	31,899	25,016	39,323	29,200
USD	13,315	27,959	6,958	22,278
RMB	145,260	166,659	131,824	190,317
	190,474	219,634	178,105	241,795

The creation and release of provision for impaired receivables have been included in administrative expenses in the combined income statements (Note 8). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As of March 31, 2007, 2008, 2009 and September 30, 2009, the fair values of the trade and bills receivables approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of the receivables. The Group does not hold any collateral as security.

As of March 31, 2008, 2009 and September 30, 2009, trade receivables of approximately HK$45,705,000, HK$39,352,000 and HK$53,043,000 were pledged as collateral for the Group's borrowings, respectively (Note 28).

20 Prepayments, deposits and other receivables

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current portion				
Prepayments for purchase of property, plant and equipment	1,486	153,309	326,825	23,735
Current portion				
Deposits placed with suppliers	21,950	25,730	26,202	30,065
Prepayments to suppliers	14,785	28,415	31,596	8,165
Other receivables from third parties (note a)	2,144	3,762	20,337	27,224
Others	2,152	3,422	5,923	1,763
	41,031	61,329	84,058	67,217
Total	42,517	214,638	410,883	90,952

Note (a): Other receivables due from third parties are unsecured, interest-free and repayable on demand.

As of March 31, 2007, 2008, 2009 and September 30, 2009, the fair values of the other receivables approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

21 Cash and cash equivalents and restricted bank deposits

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Cash in hand	2,899	754	299	501
Cash at bank	35,625	176,233	52,422	65,804
Total cash and cash equivalents	38,524	176,987	52,721	66,305
Restricted bank deposits	—	—	—	9,294
	38,524	176,987	52,721	75,599

Cash and cash equivalents are denominated in the following currencies:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and in hand				
RMB	34,344	130,040	19,628	47,443
HK$	952	24,618	18,460	6,989
USD	3,228	19,718	14,558	11,870
EURO	—	2,611	75	3
	38,524	176,987	52,721	66,305

The restricted bank deposits were denominated in RMB as of September 30, 2009. The balance was pledged as collateral for the Group's borrowings (Note 28).

Maximum exposure to credit risk on cash and cash equivalents and restricted bank deposits	35,625	176,233	52,422	75,098

The conversion of RMB denominated balances into foreign currencies and the remittance of such bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash, cash equivalents and bank overdrafts include the following for the purpose of the combined cash flow statements:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	38,524	176,987	52,721	66,305
Bank overdrafts (Note 23)	(9,687)	(11,475)	(2,373)	(4,699)
	28,837	165,512	50,348	61,606

22 Borrowings

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings, secured	—	66,666	53,932	122,727
Less: current portion included in current liabilities	—	(13,333)	(13,483)	(13,636)
Long-term borrowings	—	53,333	40,449	109,091

The maturities of the total borrowings at respective balance sheet dates are as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year	—	13,333	13,483	13,636
Between 1 to 2 years	—	13,333	13,483	30,682
Between 3 to 5 years	—	40,000	26,966	78,409
	—	66,666	53,932	122,727

The bank loans are arranged at floating rates and exposed the Group to cash flow interest rate risk. The effective interest rates were 8.13% per annum, 7.76% per annum and 6.53% per annum as of March 31, 2008 and 2009 and September 30, 2009, respectively.

The borrowings are all denominated in RMB.

The borrowings of HK$66,666,000, HK$53,932,000 and HK$122,727,000 as of March 31, 2008 and 2009 and September 30, 2009, respectively were secured by land use rights and buildings of FWHZ (Note 28).

The fair values of the borrowings approximate their carrying amounts at each balance sheet date as all the borrowings carry floating rate interests.

23 Short-term borrowings

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Bank overdrafts	9,687	11,475	2,373	4,699
Short-term bank loans, secured	—	74,631	158,310	167,930
Total	9,687	86,106	160,683	172,629

The short-term bank borrowings are denominated in the following currencies:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
HK$	9,687	86,106	147,200	149,699
RMB	—	—	13,483	13,636
USD	—	—	—	9,294
Total	9,687	86,106	160,683	172,629

The fair values of short-term bank borrowings approximate their carrying amounts at each balance sheet date.

At March 31, 2007, 2008 and 2009 and September 30, 2009, short-term bank borrowings of HK$9,687,000, HK$86,106,000, HK$160,683,000 and HK$163,335,000 respectively, are arranged at floating rates, thus exposed the Group to cash flow interest rate risk. The effective interest rates were 6.21% per annum, 4.24% per annum and 5.20% per annum at March 31, 2008, 2009 and September 30, 2009, respectively.

At March 31, 2008, short-term bank loans amounting to HK$74,631,000 were secured by trade receivables of certain companies now comprising the Group (Note 28).

At March 31, 2009, short-term bank loans amounting to HK$158,310,000 were secured by trade receivables of certain companies now comprising the Group and land use rights and buildings of FWHZ (Note 28).

At September 30, 2009, short-term bank loans amounting to HK$167,930,000 were secured by trade receivables and plant and machinery of certain companies now comprising the Group as well as land use rights and buildings of FWHZ and restricted bank deposits (Note 28).

24 Trade and other payables

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	46,034	59,236	45,357	56,226
Other payables:				
— Bills payables	10,589	—	—	—
— Other PRC taxes payable	10,619	19,079	20,499	24,561
— Accrued expenses	14,325	19,893	19,259	25,058
— Receipts in advance from customers	1,877	3,143	3,117	3,442
— Other payables for construction in progress	2,251	4,481	16,944	13,394
Others	1,365	1,867	1,157	805
	87,060	107,699	106,333	123,486

The ageing analysis of trade payables at the balance sheet dates is as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Current	25,371	39,125	22,132	39,315
1 – 30 days	12,549	13,279	6,825	4,765
31 – 60 days	2,248	337	5,429	968
61 – 90 days	1,685	3,138	1,215	3,733
91 – 120 days	817	600	3,801	2,181
Over 120 days	3,364	2,757	5,955	5,264
	46,034	59,236	45,357	56,226

The carrying amounts of trade payables are denominated in the following currencies:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
HK$	16,530	18,656	9,554	11,305
USD	187	46	157	85
RMB	29,317	40,534	35,646	44,836
	46,034	59,236	45,357	56,226

As of March 31, 2007, 2008, 2009 and September 30, 2009, the fair values of the trade and other payables approximate their carrying amounts.

25 Capital reserve

The Company was incorporated in the Cayman Islands on November 11, 2009 with an authorized share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. On the same date, the Company issued and allotted 500 shares to the Founders.

As the Company was not established prior to September 30, 2009 and the Reorganization was not completed as of September 30, 2009, for the purpose of the Financial Information, the capital reserve in the combined balance sheets as of March 31, 2007, 2008, 2009 and September 30, 2009 represents the combined issued share capital of the companies now comprising the Group which are incorporated in Hong Kong and are directly held by the Founders, net of costs incurred for proposed issuance of new shares.

26 Statutory reserve and exchange reserve

Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of a subsidiary in the PRC, FWHZ. The reserve is dealt with in accordance with the accounting policies set out in Note 2.

(ii) Statutory reserve

In accordance with the relevant regulations and the articles of association, the company incorporated in the PRC, FWHZ, is required to allocate at least 10% of its after-tax profit according to PRC accounting standards and regulations to the statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors of FWHZ. These reserves can only be used for specific purposes and are not distributable or transferable in the form of loans, advances, or cash dividends. During the years ended March 31, 2007, 2008 and 2009, appropriations to the statutory reserve amounted to approximately HK$19,971,000, HK$23,352,000, HK$6,677,000 respectively. During the six months ended September 30, 2008 and 2009, no appropriations were made to the statutory reserve as appropriations were not required at interim periods.

27 Note to the combined cash flow statements

Reconciliation of profit before income tax to net cash generated from operations

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
				(Unaudited)	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit before income tax	216,686	250,717	200,327	120,266	124,889
Adjustments for:					
— (Gain)/loss on disposals of property, plant and equipment	(25)	(185)	5,459	5,255	(298)
— Amortization of land use rights	417	443	479	231	240
— Depreciation of property, plant and equipment	27,659	29,418	32,751	15,230	23,158
— Provision for impairment of trade receivables	1,755	1,451	2,308	2,026	1,811
— Provision for impairment of deposits and prepayments to suppliers	477	639	2,970	—	—
— Direct write off of trade receivables	78	313	539	—	—
— Direct write off of deposits and prepayments to suppliers	—	10	3,895	1,354	—
— Finance costs	1,477	1,166	11,116	4,893	5,597
— Interest income	(180)	(6,150)	(1,927)	(2,214)	(774)
Operating profit before working capital changes	248,344	277,822	257,917	147,041	154,623
— Inventories	(8,146)	31,077	(9,639)	(21,213)	3,704
— Trade and bills receivables	(34,385)	(15,519)	41,058	(21,295)	(63,925)
— Prepayments, deposits and other receivables	(8,027)	(16,883)	(29,246)	(12,794)	17,711
— Amounts due from related companies	11,006	19,278	(15,512)	2,491	2,908
— Trade and other payables	20,988	14,319	(2,195)	2,689	10,670
— Amount due to a Director	(168,967)	(75,545)	(6,907)	(14,160)	(5,677)
— Amounts due to related companies	(5,905)	(19,024)	(6,077)	(9,241)	(1,823)
Cash generated from operations	54,908	215,525	229,399	73,518	118,191

28 Pledge of assets

During the Relevant Periods, the Group had the following pledge of assets as collateral to secure the Group's borrowings:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
At net book value:				
Land use rights (Note 16)	—	20,739	20,498	20,492
Buildings in the PRC (Note 15)	—	67,890	87,329	196,891
Plant and machinery (Note 15)	—	—	—	417,368
Trade receivables (Note 19)	—	45,705	39,352	53,043
Restricted bank deposits (Note 21)	—	—	—	9,294
	—	134,334	147,179	697,088

Borrowings totaling HK$141,297,000, HK$212,242,000 and HK$281,363,000 were secured by personal guarantees provided by a Director and corporate guarantees by certain companies now comprising the Group as of March 31, 2008, 2009 and September 30, 2009 respectively.

29 Financial instruments by category

	Note	Loans and receivables			
		As of March 31,			As of September 30,
		2007	2008	2009	2009
		HK$'000	HK$'000	HK$'000	HK$'000
Assets per combined balance sheets					
Trade and bills receivables	19	190,474	219,634	178,105	241,795
Other receivables	20	2,144	3,762	20,337	27,224
Amounts due from related companies	33(b)	8,889	9,081	29,637	28,355
Cash and cash equivalents	21	38,524	176,987	52,721	66,305
Restricted bank deposits	21	—	—	—	9,294
Total		240,031	409,464	280,800	372,973

	Note	Other financial liabilities			
		As of March 31,			As of September 30,
		2007	2008	2009	2009
		HK$'000	HK$'000	HK$'000	HK$'000
Liabilities per combined balance sheets					
Trade and other payables	24	72,735	87,806	87,074	98,428
Short-term bank borrowings	23	9,687	86,106	160,683	172,629
Long-term borrowings	22	—	66,666	53,932	122,727
Amounts due to related companies	33	360	1,563	1,568	—
Amount due to a Director	33	189,438	114,909	107,337	101,311
Total		272,220	357,050	410,594	495,095

30 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Not later than one year	2,798	4,339	4,613	4,891
Later than one year and not later than five years	2,102	1,872	7,662	7,126
Later than five years	83	1,632	1,390	1,287
	4,983	7,843	13,665	13,304

31 Capital commitments

	As of March 31,			As of September 30,
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Contracted but not provided for:				
— Property, plant and equipment	2,695	277,132	67,960	31,386
Authorized but not contracted for	—	—	—	—

32 Contingent liabilities

In April 2009, certain subsidiaries of the Group received notices of additional assessment dated March 30, 2009 from the Hong Kong Inland Revenue Department ("IRD") for the year of assessment 2002/03, demanding additional profits tax payment in the aggregate amount of HK$3,840,000. Notices of objection have been served and the IRD has granted unconditional holdover orders in respect of the entire amount of additional profits tax demanded.

The Group was informed that the additional assessments are of protective nature and were issued to keep the 2002/03 tax year technically open in view of the statutory time-bar. The Group was also informed that the IRD had no specific basis in arriving at the profits assessed under the additional assessments, and the case is still in the information collection stage. The Group is thus of the view that there is no reliable basis for estimating, and making provision for potential tax liabilities, if any, and the corresponding penalty and interest, if any, as at September 30, 2009.

33 Related party transactions

(a) The following transactions were carried out with related parties during the Relevant Periods:

	Year ended March 31,			Six months ended September 30,	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Non-continuing:					
Management fee paid to Takco Limited ("Takco") (Note (i) below)	1,248	1,449	1,929	660	703
Sales of goods to Quanta Paper Corporation ("Quanta") (Note (ii) below)	2,342	13,225	16,116	10,999	2,979
Purchases of goods from Quanta (Note (ii) below)	650	3,712	2,497	2,465	35
	4,240	18,386	20,542	14,124	3,717
Continuing:					
Rental expenses in respect of land and buildings paid to E&I Development Limited ("E&I") (Note (iii) below)	2,394	2,394	2,394	1,197	1,500
Rental expenses in respect of land and buildings paid to China Gold Industries Ltd ("China Gold") (Note (iii) below)	984	984	984	492	492
	3,378	3,378	3,378	1,689	1,992

Notes:

(i) The amounts represented management fee paid and payable to Takco, an associate of the Group, for provision of management services for packing stations for the years ended March 31, 2007, 2008 and 2009. Takco Limited was a party to the two tenancy agreements entered into between the Hong Kong Government and Takco Limited in relation to the packing stations located in Hong Kong. The management fee is charged on a reimbursement basis. As one of the tenancy agreements relating to the above two packing stations expired on July 9, 2009 and the other one will expire on July 2, 2010, the transactions with Takco will be discontinued upon the expiry of the tenancy agreement which will expire on July 2, 2010. Takco was disposed to an independent third party on August 5, 2009 as part of the Reorganization as discussed in note 1(b), hence it was not considered as a related party since August 5, 2009.

(ii) These represented the sales and purchases of recovered paper and tissue paper products to and from Quanta, a company with a common director of the Company, Mr. Leung Kai Kuen. These transactions were conducted based on prices mutually agreed between both parties and were discontinued as of the date of this report. Mr. Leung Kai Kuen resigned as a Director of Quanta on September 30, 2009 with immediate effect.

(iii) These represented the rental expenses for leasing of office space and directors' quarters paid to E&I and China Gold, respectively. The controlling shareholders of E&I are the son and daughter of Mr. Leung Kai Kuen. The controlling shareholder of China Gold is also one of the Founders of the Group. The rental expenses were charged at pre-determined rates mutually agreed between both parties.

(iv) Key management personnel are deemed to be the members of the Board of Directors of the Company which has responsibility for planning, directing and controlling the activities of the Group. Key management compensation during the Relevant Periods is disclosed in Note 14.

(v) During the Relevant Periods, certain of the Group's banking facilities were secured by personal guarantees given by a Director and corporate guarantees by certain companies now comprising the Group. Details are set out in note 28. Such guarantees will be fully released upon the listing of the Company's shares on the Stock Exchange and replaced by corporate guarantees and/or security of assets of the Group.

All the transactions with related parties were entered into in accordance with terms agreed by the relevant parties.

(b) Year-end balances with related parties

The amounts due from/(to) related companies and a Director were denominated in HK$. The balances are unsecured, interest-free and repayable upon demand. The carrying values of these balances approximate their fair values.

Amounts due from related companies are disclosed as follows:

Name	Relationship	As of March 31,			As of September 30,
		2007	2008	2009	2009
		HK$'000	HK$'000	HK$'000	HK$'000
China Gold	Controlling shareholder is one of the Founders of the Group	304	304	64	66
E&I	Controlling shareholders are the son and daughter of Mr. Leung Kai Kuen	868	1,058	480	501
Fook Woo Paper Company Limited (Note iii)	Common director, Mr. Leung Kai Kuen	7,610	7,610	—	—
Lai Wah	Sole proprietor is Mr. Leung Kai Kuen, a Director of the Company	107	109	119	119
Takco (Note i and iii)	Common director, Mr. Leung Kai Kuen	—	—	—	285
Hoi On (Note i and iii)	Controlling shareholder is one of the Founders of the Group	—	—	—	25
Quanta (Note iii)	Common director, Mr. Leung Kai Kuen	—	—	28,974	27,359
		8,889	9,081	29,637	28,355
Provision for impairment of receivables		—	—	—	—
Total		8,889	9,081	29,637	28,355

The information relating to the amounts due from related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	Maximum amount outstanding during				
	Year ended March 31,			Six months ended September 30,	
Name	**2007**	**2008**	**2009**	**2008**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
China Gold	304	304	304	304	66
E&I	868	1,420	1,058	1,058	501
Fook Woo Paper Company Limited	7,610	7,610	7,610	7,610	—
Lai Wah	107	110	205	205	119
Takco	—	—	—	—	285
Hoi On	—	—	—	—	25
Quanta	2,223	—	28,974	16,974	28,974

Amounts due to related companies and a Director are disclosed as follows:

	As of March 31,			September 30,
Name	**2007**	**2008**	**2009**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Related companies:				
Quanta (Note iii)	293	1,170	—	—
Takco	67	393	1,568	—
	360	1,563	1,568	—
A Director:				
Mr. Leung Kai Kuen (Note ii)	189,438	114,909	107,337	101,311
Total	189,798	116,472	108,905	101,311

Note i: As part of the Reorganization (Note 1(b)), Hoi On and Takco were disposed on August 5, 2009 to one of the Founders of the Group and an independent third party respectively and hence Takco was not considered as a related party to the Group since then. No material cash inflow/outflow resulted from these disposals.

Note ii: The amount due to a Director as at September 30, 2009 to the extent of HK$100,000,000 has been settled by issuance of new shares of the Company as part of the Reorganization of the Group which has been completed after the Relevant Periods (Notes 1(b) and 34)). The remaining balance of HK$1,311,000 was fully settled as of the date of this report.

Note iii: Up to the date of this report, these balances were fully settled.

34 Subsequent events

The following events took place subsequent to September 30, 2009:

(a) On November 11, 2009, the Company was incorporated in the Cayman Islands with authorized share capital of 3,800,000 shares of HK$0.10 each and issued share capital of 500 shares of HK$0.10 each.

(b) On February 21, 2010, the Group entered into a sale and purchase agreement with the Founders for the acquisition of the entire issued share capital of FW Int in consideration of 8,375 shares issued by the Company to the Founders.

(c) On February 21, 2010, 1,125 shares were issued for settlement of the shareholder's loan of HK$100,000,000.

(d) The banks have agreed in principle that all personal guarantees and securities provided by a Director of the Company will be released or replaced by guarantees or other securities from the Company and/or its subsidiaries upon listing of shares of the Company on Main Board of the Stock Exchange.

(e) On February 4, 2010, the Group won the bid in respect of certain land use rights for which the Group did not previously possess the required title certificates through a bid invitation, auction or quotation ("BAQ") procedures as required under the relevant regulations in the PRC and the Group has paid the land premium of RMB13,520,000 (approximately HK$15,364,000) to obtain these land use rights.

(f) In March 2010, certain subsidiaries of the Group received notices of additional assessment dated March 15, 2010 from the IRD for the year of assessment 2003/2004, demanding additional profits tax payment in the aggregate amount of HK$7,700,000. The Group was informed that the additional assessments are of protective nature and were issued to keep the 2003/04 tax year technically open in view of the statutory time-bar. The Group was also informed that the IRD had no specific basis in arriving at the profits assessed under the additional assessments, and the case is still in the information collection stage. The Group is thus of the view that there is no reliable basis for estimating, and making provision for potential tax liabilities, if any, and the corresponding penalty and interest, if any, as at the date of this report (Note 32).

III. Subsequent financial statements

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to September 30, 2009. In addition, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to September 30, 2009.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong