You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial statements included in the Accountants' Report, which has been prepared in accordance with HKFRS, as set out in Appendix I to this prospectus, and the unaudited pro forma financial information included in Appendix II to this prospectus, in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this prospectus.

OVERVIEW

We are principally engaged in the manufacture and trading of hygienic disposables for household and clinical uses. Our products consist mainly of clinical waste bags, general waste bags, disposable film bags and aprons.

A number of our products come with innovative designs which Mr. Chum, our founder, has successfully patented in different jurisdictions. A vast majority of our self-manufactured products are exported to the UK and other European countries with major customers including Stenqvist AS, a packaging producer in Europe, HPC Healthline UK Limited, one of the authorized distributors of clinical disposables to clinics and hospitals operating under the National Health Service public healthcare system in the UK, and one of the largest supermarket chains in the UK. Additionally, we successfully established a significant presence in the US market in 2009 through trading of hygienic disposables with Spectrum Bags, Inc., according to the information shown on its website, was established in 1985 and is a manufacturer and importer of printed bags used in retail stores, restaurants, supermarkets, hospitals and for janitorial and industrial applications.

Our production facility is based in Huizhou of the Guangdong Province, the PRC, with designed annual production capacity of 38,600 tons of hygienic disposables. A number of production technologies which we apply to our key production processes have been successfully patented. These patented technologies have enabled us to enhance our production efficiency and mass produce products with our patented designs. Our Huizhou production facility is also accredited with ISO9001:2008 and GB/T 19001-2008, demonstrating our commitment of high product quality.

For the three years ended 31 March 2010 and three months ended 30 June 2010, our largest customer accounted for approximately 28.1%, 28.8%, 32.6% and 45.1% of our total sales, respectively, while our five largest customers accounted for approximately 84.6%, 76.1%, 87.1% and 92.3% of our total sales, respectively, for the corresponding periods. For the three years ended 31 March 2010 and three months ended 30 June 2010, we reported revenues of approximately HK$282.1 million, HK$311.6 million, HK$427.1 million and HK$113.7 million, respectively, of which approximately 11.2%, 16.9%, 47.3% and 53.1%, respectively were for the clinical sector. For the three years ended 31 March 2010 and three months ended 30 June 2010, our net profit was approximately HK$43.1 million, HK$43.5 million, HK$78.9 million and HK$16.9 million, respectively.

BASIS OF PRESENTATION

Our combined statements of comprehensive income, combined statements of changes in equity and combined statement of cash flow for the Track Record Period which include the results, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current group structures had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment where it is a shorter period. Our combined statement of financial position as at 31 March 2008, 2009, 2010 and 30 June 2010 have been prepared to present the assets and liabilities at those dates. All intra-group transactions, balances, income and expenses are eliminated on combination.

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our Group's results of operations and financial condition have been and will continue to be affected by a number of factors, including but not limited to the following factors as set forth below:

Economic conditions of the US and European countries

During the Track Record Period, a vast majority of our sales were made to European and US customers, which in aggregate represented approximately 94.9%, 84.9%, 93.9% and 98.1% of our total sales respectively for the three years ended 31 March 2010 and three months ended 30 June 2010. As our hygienic disposables are consumable products used mainly for the clinical and household applications, our sales performance will be affected by the economic conditions and the consumption expenditures of the US and European countries.

Product mix

We sell our products directly and primarily to hygienic and clinical disposable and packaging producers and/or distributors in Europe and the US. For the three years ended 31 March 2010 and the three months ended 30 June 2010, approximately 88.8%, 83.1%, 52.7% and 46.9% of our sales were generated from sales of products for household sector, while approximately 11.2%, 16.9%, 47.3% and 53.1% of our sales were generated from the sales of products for clinical sector. The sales of general waste bags for clinical sector increased significantly for the financial year ended 31 March 2010 as our Group had successfully established business relationship with a US customer, whereas our sales of film bags were on the decline for the period under review. Given that Directors considered a better growth potential in the clinical consumables market, our Group's future strategy will focus more on the products for clinical sector, while our Group will maintain the sales effort on our products for household sector and intend to maintain a stable sales in film bags. Going forward, it is anticipated that the future sales portion derived from the products for clinical sector will increase. As there may be difference in the selling prices and gross margins of our products, our average selling price and overall gross profit margin will be affected by the change in our product mix.

Pricing of our products

The pricing of our products will be determined by several factors including manufacturing costs, price trend of similar products in the market and market supply and demand for our products. For the three years ended 31 March 2010 and three months ended 30 June 2010, the average selling price of our products were approximately HK$12,400 per ton, HK$13,400 per ton, HK$12,700 per ton and HK$13,100 per ton respectively. The average selling price of our products for household sector was approximately HK$12,400 per ton, HK$13,600 per ton, HK$11,800 per ton and HK$12,500 per ton, whereas the average selling price of our products for clinical sector was approximately HK$12,300 per ton, HK$12,400 per ton, HK$14,000 per ton and HK$13,600 per ton, respectively, for each of the three financial years ended 31 March 2010 and three months ended 30 June 2010.

Costs of raw materials

Raw materials accounted for a significant portion of our production costs. For the three years ended 31 March 2010 and three months ended 30 June 2010, our cost of raw materials were approximately HK$191.3 million, HK$217.6 million, HK$170.5 million and HK$52.9 million respectively, which accounted for approximately 87.0%, 88.0%, 51.0% and 59.4% of our cost of sales respectively. The primary raw material for the manufacturing of our hygienic disposable products is polyethylene. For the three years ended 31 March 2010 and three months ended 30 June 2010, the cost of polyethylene amounted to approximately HK$147.1 million, HK$181.4 million, HK$132.1 million and HK$44.9 million respectively, which accounted for approximately 76.9%, 83.3%, 77.5% and 84.8% of our total cost of raw materials, respectively. For the three years ended 31 March 2010 and three months ended 30 June 2010, our average purchase price of polyethylene were approximately HK$11,100 per ton, HK$10,800 per ton, HK$9,500 per ton and HK$10,600 per ton respectively. As polyethylene is a by-product of crude oil, the price of polyethylene depends to a large extent on the price of oil.

Our business expansion

Historically, the focus of our business activities was mainly in the UK, other European countries and the US, and we relied substantially on our Europe and US customers for our business. Going forward, it is part of our business strategy to expand our sales coverage to the PRC, initially through importing medical product (classified as Category II medical devices in accordance with the "Medical Devices Classification Index"* (《醫療器械分類目錄》)), and further through the construction of a new production facility in the PRC for manufacturing medical products (classified as Category I medical devices (classified in accordance with the "Medical Devices Classification Index"* (《醫療器械分類目錄》)). Despite the lower profit margin for our clinical products during the Track Record Period, our Directors consider that taking into account the anticipated increasing demand for clinical products in China, our Group is able to improve the profit margin for our clinical products in the future.

The degree of success in launching our business strategies will depend on a number of factors, including (without limitation) our ability to develop and maintain effective marketing and distributing presence in the PRC, our ability to commence and complete construction of our new production facility as planned, our ability to obtain the necessary licences, approvals and/or permits in a timely manner, and any unanticipated changes in prevailing economic conditions and regulatory requirements in the PRC, which in turn will have a material impact on our financial conditions and results of operations going forward.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our combined financial statements in conformity with Hong Kong Accounting Standards, HKFRS, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which requires us to make estimates and assumptions about the carrying amounts of assets and liabilities. We base our estimates on our past experience, expectations of the future and other information that we believe to be relevant under the circumstances. These estimates and underlying assumptions are reviewed by management on an ongoing basis. Actual results may differ from these estimates. We consider the policies discussed below to be critical to an understanding of our financial statements as their application places the most significant demands on our management's judgment.

Revenue recognition

We measure our revenue at the fair value of consideration received or receivable. We record our sales of goods when our products are delivered and title has passed.

Inventories

We measure inventories at the lower of cost and net realizable value. We compute the cost of inventories based on the weighted average principle. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overhead based on normal operating capacity.

We estimate the net realizable value of our inventories based primarily on the latest market prices and current market conditions. Our Group carries out an inventory review at the end of each reporting period and makes allowances on obsolete and slow moving items to write off inventories to their net realizable values. Where the expectation on the net realizable value is lower than the carrying amount, an impairment loss may arise. An impairment loss is recognized as an expense immediately.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and are thereafter stated at amortized cost less any identified impairment losses. The impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of these assets. When the actual future cash flows are less than expected, an impairment loss may arise. In the case of trade receivables, the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

In applying the accounting policy on property, plant and equipment with respect to depreciation, we estimate the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such differences will impact the depreciation charge for the remaining period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

TRADING RECORD OF OUR GROUP DURING THE TRACK RECORD PERIOD

The following table is a summary of our Group's audited combined results during the Track Record Period, as extracted from the Accountants' Report as set out in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountants' Report as set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 March			Three months ended 30 June	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	282,080	311,607	427,116	85,139	113,706
Cost of sales	(219,863)	(247,268)	(334,299)	(56,889)	(89,009)
	62,217	64,339	92,817	28,250	24,697
Other income	4,628	1,034	7,497	6,477	2,295
Selling and distribution expenses	(14,233)	(10,827)	(11,747)	(3,002)	(2,916)
Administrative expenses	(9,463)	(10,680)	(8,619)	(1,909)	(2,844)
Listing expenses	—	—	—	—	(3,746)
Profit before taxation	43,149	43,866	79,948	29,816	17,486
Taxation	—	(335)	(1,004)	(374)	(540)
Profit for the year/period	43,149	43,531	78,944	29,442	16,946
Other comprehensive income					
Exchange difference arising on translation	3,746	1,409	135	24	155
Total comprehensive income for the year/ period, attributable to owners of the Company	46,895	44,940	79,079	29,466	17,101
Earnings per share — basic *(HK cents)*	8.52	8.59	15.58	5.81	3.34

DESCRIPTION OF COMPONENTS OF RESULTS OF OPERATIONS

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business net of surcharges. Sales of goods is recognized when the goods are delivered and title has passed.

The following table sets forth the breakdown of our revenue by geographical locations, product sector, business model and product type during the Track Record Period:

Revenue by geographical market

	Year ended 31 March			Three months ended 30 June	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
United Kingdom	124,013	127,771	151,424	46,123	26,345
Norway	79,317	89,600	81,228	21,969	28,304
Sweden	35,348	16,878	2,296	459	338
Germany	18,010	20,934	24,766	5,862	2,936
United States of America	10,924	9,254	141,203	904	53,544
Singapore	4,448	34,486	15,400	7,058	—
Others	10,020	12,684	10,799	2,764	2,239
	282,080	311,607	427,116	85,139	113,706
Household sector					
Sales of manufactured products					
Film bags	197,686	163,358	119,745	32,536	34,389
General waste bags	52,663	95,689	105,424	34,164	19,009
Sub total	250,349	259,047	225,169	66,700	53,398
Clinical sector					
Sales of manufactured products					
Clinical waste bags	9,125	21,482	23,994	9,353	4,118
General waste bags	4,119	384	1,112	398	18,965
Aprons	18,487	30,694	37,785	8,688	4,849
Trading of products					
General waste bags	—	—	139,056	—	32,376
Sub-total	31,731	52,560	201,947	18,439	60,308
Total	282,080	311,607	427,116	85,139	113,706

The revenue of our products with oxo-biodegradable nature for the three years ended 31 March 2010 and three months ended 30 June 2010 were approximately HK$4,152,000, HK$37,139,000, HK$29,048,000 and HK$3,775,000 respectively.

Cost of sales

Cost of sales comprises cost of sales from manufacturing activity and trading activity. Cost of sales from manufacturing activity consists of raw materials costs, manufacturing costs and direct labour costs. Cost of raw materials primarily include cost for the purchase of polyethylene and ancillary raw materials. Manufacturing costs primarily include consumables, electricity and depreciation of production facilities. Direct labour costs primarily include compensation and benefits provided to manufacturing employees. Despite the increasing average wages of workers, the Group maintained stringent cost control by streamlining the number of labours without affecting our productivity during the Track Record Period. Cost of sales from trading activity represents purchasing cost of goods sold. The following table sets forth the components of cost of sales for the Track Record Period.

	Year ended 31 March			Three months ended 30 June	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cost of sales					
— inventories	185,933	216,653	176,604	50,584	53,623
— manufacturing cost	26,385	24,351	22,400	4,511	3,726
— direct labour cost	7,545	6,264	6,496	1,794	1,539
— purchasing cost of goods sold	—	—	128,799	—	30,121
	219,863	247,268	334,299	56,889	89,009

The following table sets forth the components of cost of raw material for the Track Record Period.

	Year ended 31 March			Three months ended 30 June	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Polyethylene	147,059	181,360	132,071	40,952	44,852
Ancillary materials	44,249	36,239	38,421	8,723	8,026
	191,308	217,599	170,492	49,675	52,878

Gross profits and gross profit margin

Gross profit represents the difference of revenue and cost of sales. The table below sets forth gross profits and gross profit margins by business model and sector for the Track Record Period.

	Year ended 31 March						Three months ended 30 June			
	2008		2009		2010		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
By business model										
Sales of manufactured products	62,217	22.1	64,339	20.6	82,524	28.6	28,250	33.2	22,442	27.6
Trading of products	—	—	—	—	10,293	7.4	—	—	2,255	7.0
Total	62,217	22.1	64,339	20.6	92,817	21.7	28,250	33.2	24,697	21.7
By sector										
Household sector	59,520	23.8	63,602	24.6	74,654	33.2	25,950	38.9	18,694	35.0
Clinical sector	2,697	8.5	737	1.4	18,163	9.0	2,300	12.5	6,003	10.0
Total	62,217	22.1	64,339	20.6	92,817	21.7	28,250	33.2	24,697	21.7

The overall gross profit margin decreased from approximately 22.1% for the financial year ended 31 March 2008 to approximately 20.6% for the financial year ended 31 March 2009. The decrease in the overall gross margin was attributed to the decrease in gross margin of our products for clinical sector from approximately 8.5% to 1.4% as a result of the increase in cost of sales arising from increasing potion of polyethylene consumed, while such increased cost had not been completely reflected in the selling price of our clinical sector products for the corresponding period as our Group intended to maintain good relationships with our customers.

The overall gross profit margin increased from approximately 20.6% for the financial year ended 31 March 2009 to approximately 21.7% for the financial year ended 31 March 2010. This was mainly attributed to the improvement in the gross profit margins of our self-manufactured products for the household and clinical sectors mainly as a result of the decline in the purchase of polyethylene. However, the impact from the margin improvement has been partially offset by the lower gross margin of 7.4% from the trading business, which commenced during the financial year ended 31 March 2010.

The overall gross profit margin of our Group maintained remained stable at approximately 21.7% for the three months ended 30 June 2010 as compared to the financial year ended 31 March 2010. The gross profit margins of our products for the household and clinical sectors improved further as compared to the financial year ended 31 March 2010, but the impact was completely offset by the increasing portion of revenue contribution from the lower margin clinical sectors. The gross margins of our products for clinical sector were generally lower than those of products for household sector as the Group intended to maintain competitive pricing for clinical sector products and the portion of consumption of polyethylene for clinical sector product (such as aprons) was higher among our manufactured products.

Other income

Other income mainly consists of exchange gain, bank interest income and imputed interest income arising on the amount due from a director.

Administrative expenses

Administrative expenses mainly consist of salaries, staff welfare expenses, amortization of prepaid lease payment, depreciation of property, plant and equipment in relation to administrative functions. Others include office expenses, audit fees, professional fees, bank charges and other taxes comprising land use tax, property tax and stamp duty in connection with administrative functions.

Selling and distribution expenses

Selling and distribution expenses mainly consist of transportation expenses, custom and inspection fees and commission paid to sales agents who may from time to time introduce new orders and/or customers to our Group. The basis for calculation of the sales commission paid to the sales agents was determined at the rate of US$20 to US$40 per ton depending on the type of products, and our Group promotes its products to its new and existing customers through its sales and marketing personnel and the sales agents.

Taxation

Our Group is subject to income tax on an individual legal entity basis on profit arising in or derived from the tax jurisdictions in which companies comprising our Group are domiciled or operate, including the PRC, Hong Kong and Macau.

(i) Hong Kong

On 26 June 2008, the Legislative Council of Hong Kong passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong profits tax is calculated at the rate of 16.5% of the estimated assessable profit for the years ended 31 March 2009 and 2010 and three months ended 30 June 2009 and 2010.

No provision for Hong Kong profits tax has been made in the financial statements as the Hong Kong subsidiaries of our Group had no assessable profit for the Track Record Period.

(ii) PRC

Prior to 2008, the Group's subsidiary in the PRC of a production nature established in the coastal economic open zones was subject to PRC Foreign Invested Enterprise Income Tax of 27% in accordance with the relevant income tax rules and regulations in the PRC.

On 16 March 2007, the National People's Congress of the PRC promulgated the Law of Enterprise Income Tax (the "**New EIT Law**") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rate of our Group's subsidiary in the PRC has been reduced to 25% from 1 January 2008 onwards.

Notwithstanding the above, under the old enterprise income tax system in the PRC, Huizhou Junyang, our PRC subsidiary, is entitled to exemptions from the FIEIT for two years commencing from its first profit-making year and thereafter entitled to a 50% relief from FIEIT for the next three years (the "**Manufacturing Income Tax Holidays**"). According to Guofa [2007] No. 39, the PRC enterprises which have started to enjoy the Manufacturing Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Manufacturing Income Tax Holidays. For those PRC enterprises whose Manufacturing Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008.

However, taking into account the relevant tax rules in relation to transfer pricing exposure and the tax position of Huizhou Junyang in the PRC, the first profit-making year is deemed to have started from the year ended 31 December 2007 and thus Huizhou Junyang calculated the FIEIT and EIT at 100% exemption respectively for the fiscal years ended 31 December 2007 and 2008, and at 50% EIT reduction and thus an effective rate of 12.5% for the fiscal years ended 31 December 2009, 2010 and 2011. As such, a tax provision based on the applicable EIT rate was made based on the estimated taxable profit of Huizhou Junyang for the year ended 31 December 2009. The transfer pricing report prepared for Huizhou Junyang revealed that the Transactional Net Margin Method ("**TNMM**") was selected as the most appropriate method for assessing the transfer pricing position of Huizhou Junyang. In applying the TNMM, the net cost plus ("**NCP**") ratio was selected as the profit level indicator to compare the profits achieved by Huizhou Junyang to other companies with similar operations and risk profiles. TNMM and NCP are commonly used by the PRC tax authorities for analyzing the transfer pricing position of contract manufacturers, and the comparable companies are selected in terms of functions performed, assets used and risks assumed. Based on the selected comparable companies, the inter-quartile range of NCP ratios of 0.69% and 6.64% was established and used as an arm's length benchmark range. Huizhou Junyang's NCP of 3.62% for the financial year ended 31 December 2009 fell within this range, and tax provision has been made thereon at 12.5% for the financial year ended 31 December 2009. The Directors are of the view that Huizhou Junyang's transfer pricing position should be considered to be in accordance with the requirements of the PRC transfer pricing regulations, and hence it should not have transfer pricing exposure for the financial year ended 31 December 2009.

(iii) Macau

As stated in the Decree Law No. 58/59/M, Chapter 2, Article 12, dated 18 October 1999 of Macau, and the relevant provisions, Macao offshore companies established in Macau is exempted from Macao Complementary Tax, provided that their operations are in accordance with the applicable offshore legislative provisions and local statutory requirements, including (1) the company uses only non-Macao currency in its activities; (2) the company only targets non-Macao residents as customers; and (3) the company only focuses on non-Macao markets. Two-Two-Free is a Macao offshore company established in accordance with the Macao offshore law, and, as advised by our Directors, Two-Two-Free carried out transactions with non-Macao customers in non-Macao currency only at all times during the Track Record Period. As the business operations of Two-Two-Free are in accordance with its investment plan and in compliance with the Macao offshore law, Two-Two-Free is exempted from Macao Complementary Tax.

During the Track Record Period, no deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

Under the EIT Law in PRC, starting from 1 January 2008, withholding income tax at the rate of 10% is imposed on dividends declared in respect of profits earned from 1 January 2008 onwards to foreign investors for the companies established in the PRC. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applicable. Deferred taxation has not been provided for in respect of temporary differences attributable to accumulated (losses) profits of Huizhou Junyang, which amounted to approximately HK$(10,288,000), HK$11,695,000, HK$(4,040,000) and HK$(2,671,000) as at 31 March 2008, 2009 and 2010 and 30 June 2010 respectively, as our Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

There was no other significant unprovided deferred taxation for the Track Record Period on or at the end of respective reporting period.

Despite its substantial profits during the Track Record Period, as advised by the Directors, our Group has a relatively low income tax liability given that Two-Two-Free is established as an offshore company in Macau and is exempted from Macau taxes. The purchases and sales of Two-Two-Free were concluded and effected in Macau and it did not conduct any business activities in Hong Kong, it was not subject to Hong Kong profits tax. Also, as Two-Two-Free did not maintain a fixed place of business outside Macau, nor did it conduct any business activities through its employees and agent outside Macau, the Directors consider that Two-Two-Free does not have a taxable presence in other jurisdictions.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION

Financial year ended 31 March 2009 comparing to financial year ended 31 March 2008

Revenue

Our Group's revenue increased by approximately 10.5% from approximately HK$282.1 million for the financial year ended 31 March 2008 to approximately HK$311.6 million for the financial year ended 31 March 2009. The increase in revenue was mainly attributable to the increase in sales of products for clinical sector. The sales of our products for clinical sector increased by approximately 65.6% from approximately HK$31.7 million for the financial year ended 31 March 2008 to approximately HK$52.6

million for the financial year ended 31 March 2009. This was mainly resulted from the increase in sales volume in our products for clinical sector. For the financial year ended 31 March 2009, the sales volume of our products for clinical sector surged by approximately 64.3% to approximately 4,200 tons, while the sales volume of our products for household sector dropped by approximately 5.9% to approximately 19,000 tons. Despite the decline in sales volume, average selling price of products for household sector increased by approximately 9.7% to approximately HK$13,600 per ton.

Cost of sales

Our Group's cost of sales increased by approximately 12.5% from approximately HK$219.9 million for the financial year ended 31 March 2008 to approximately HK$247.3 million for the financial year ended 31 March 2009. The increase in cost of sales primarily reflected the increased sales volume of clinical hygienic disposables. Polyethylene was the main raw material for our Group's production. The consumption of polyethylene in products such as aprons was subject to product specifications required by customers.

Gross profit and gross profit margin

The gross profit of our Group increased slightly by approximately 3.4% from approximately HK$62.2 million for the financial year ended 31 March 2008 to approximately HK$64.3 million for the financial year ended 31 March 2009. The slight increase in gross profit was attributable to the increase in gross profit from our products for household sector, which was partially offset by the decline in gross profit from our products for clinical sector.

The overall gross profit margin decreased from approximately 22.1% for the financial year ended 31 March 2008 to approximately 20.6% for the financial year ended 31 March 2009. The decrease in the overall gross margin was attributed to the decrease in gross margin of our products for clinical sector from approximately 8.5% to 1.4% as a result of the increase in cost of sales arising from increasing portion of polyethylene consumed, while such increased cost had not been completely reflected in the selling price of our clinical sector products for the corresponding period as the Group intended to maintain good relationships with their customers.

Other income

Other income of our Group decreased by approximately 77.7% from approximately HK$4.6 million for the financial year ended 31 March 2008 to approximately HK$1.0 million for the financial year ended 31 March 2009. The decrease in other income was mainly attributable to the decrease in recognition of net exchange gain by approximately HK$3.8 million, which offset the imputed interest income arising on the amount due from a director of approximately HK$1.0 million. Net exchange gain was mainly resulted from the net effect of fluctuation of RMB against HK$ on the monetary items of our Group.

Administrative expenses

The administrative expenses of our Group increased by approximately 12.9% from approximately HK$9.5 million for the financial year ended 31 March 2008 to approximately HK$10.7 million for the financial year ended 31 March 2009. The increase in administrative expenses was mainly attributable to the recognition of net exchange loss of approximately HK$1.1 million. The net exchange loss was mainly resulted from the net effect of fluctuation of RMB against HK$ on the monetary items of our Group.

Selling and distribution expenses

The selling and distribution expenses of our Group decreased by approximately 23.9% from approximately HK$14.2 million for the financial year ended 31 March 2008 to approximately HK$10.8 million for the financial year ended 31 March 2009. The decrease in selling and distribution expenses of our Group was mainly attributable to the decrease in sales commission paid to sales agents, our sales and marketing personnel and one of our Directors by approximately HK$3.3 million. The amount of sales commission paid to our sales agents decreased by approximately 32.0% from approximately HK$2.3 million for the financial year ended 31 March 2008 to approximately HK$1.6 million for the financial year ended 31 March 2009. Approximately HK$1.9 million of sales commission were paid to one of our Directors in the financial year ended 31 March 2008. We ceased paying sales commission to any of our Directors subsequent to the year ended 31 March 2008.

Finance costs

There was no bank or other borrowings and hence no finance costs neither in the financial year ended 31 March 2009 nor in the financial year ended 31 March 2008.

Taxation

No provision for Hong Kong profits tax has been made in the financial statements as our Group entity had no assessable profit for the financial year ended 31 March 2009 and for the financial year ended 31 March 2008.

Provision for EIT has been made for the financial year ended 31 March 2009 and none FIEIT provision for the financial year ended 31 March 2008 as the Manufacturing Income Tax Holidays of Huizhou Junyang was started from 1 January 2007 and it was entitled to a 50% relief from FIEIT starting from 1 January 2009 for three years to 2011.

As stated in the Decree Law No. 58/59/M, Chapter 2, Article 12, dated 18 October 1999 of Macau, Two-Two-Free established in Macau is exempted from Macao Complementary Tax.

The effective tax rate was approximately 0.8% for the financial year ended 31 March 2009 because most of our profits for the period were generated by Two-Two-Free, which is established as an offshore company and is exempted from Macau tax, while other subsidiaries were either deriving minimal profits or incurring losses for the period under review.

Profit for the year

As a result of the foregoing, our Group's profit for the year increased slightly by approximately 0.9% from approximately HK$43.1 million for the financial year ended 31 March 2008 to approximately HK$43.5 million for the financial year ended 31 March 2009.

Exchange difference

Exchange difference decreased by approximately 62.4% from approximately HK$3.7 million for the financial year ended 31 March 2008 to approximately HK$1.4 million for the financial year ended 31 March 2009. The exchange difference arising on translation of monetary items decreased which was attributable to the decreasing rate of appreciation of the RMB against the HK$.

Total comprehensive income for the year attributable to owners of our Company

As a result of the foregoing, our Group's total comprehensive income for the year attributable to owners of our Company decreased by approximately 4.2% from approximately HK$46.9 million for the financial year ended 31 March 2008 to approximately HK$44.9 million for the financial year ended 31 March 2009.

Financial year ended 31 March 2010 comparing to financial year ended 31 March 2009

Revenue

Our Group's revenue increased by approximately 37.1% from approximately HK$311.6 million for the financial year ended 31 March 2009 to approximately HK$427.1 million for the financial year ended 31 March 2010. The increase in revenue was mainly attributable to the additional revenue arising from the trading business of general waste bags for clinical sector during the year under review. The total revenue derived from the products for clinical sector increased to approximately HK$201.9 million for the financial year ended 31 March 2010 mainly as a result of the commencement of our trading business. The sales volume of our products for clinical sector increased to approximately 14,400 tons, while that for household sector maintained at approximately 19,100 tons. The overall average selling price dropped by 4.7% to approximately HK$12,700 per ton as the average selling price of our self-manufactured products declined, despite the higher average selling price of our trading products for clinical sector. The average selling price of our products for clinical sector increased by approximately 12.9% to approximately HK$14,000 per ton, while that for household sector dropped by approximately 13.2% to approximately HK$11,800 per ton.

Cost of sales

Our Group's cost of sales increased by approximately 35.2% from approximately HK$247.3 million for the financial year ended 31 March 2009 to approximately HK$334.3 million for the financial year ended 31 March 2010. The increase in cost of sales primarily due to the commencement of the trading business of clinical hygienic disposables for the financial year ended 31 March 2010.

Gross profit and gross profit margin

The gross profit of our Group increased by approximately 44.3% from approximately HK$64.3 million for the financial year ended 31 March 2009 to approximately HK$92.8 million for the financial year ended 31 March 2010. The increase in gross profit was mainly attributable to the increase in gross profit from our self-manufactured products as well as the contribution from the trading business of general waste bags.

The overall gross profit margin increased from approximately 20.6% for the financial year ended 31 March 2009 to approximately 21.7% for the financial year ended 31 March 2010. This was mainly attributed to the improvement in the gross profit margins of our self-manufactured products for household and clinical sectors, respectively, mainly as a result of the decline in the purchasing price of polyethylene. However, the impact from the margin improvement on our self-manufactured products has been partially offset by the lower gross margin of 7.4% from the trading business, which commenced during the financial year ended 31 March 2010.

Other income

Other income of our Group increased from approximately HK$1.0 million for the financial year ended 31 March 2009 to approximately HK$7.5 million for the financial year ended 31 March 2010. This was mainly due to the net exchange gain of approximately HK$2.2 million and the imputed interest income arising on the amount due from a director of approximately HK$5.0 million for the year ended 31 March 2010.

Administrative expenses

The administrative expenses of our Group decreased by approximately 19.3% from approximately HK$10.7 million for the financial year ended 31 March 2009 to approximately HK$8.6 million for the financial year ended 31 March 2010. This decrease was mainly attributed to the effort made by our Group in cost control and that the net exchange loss of approximately HK$1.1 million recognized in the financial year ended 31 March 2009 was not recognized in the financial year ended 31 March 2010.

Selling and distribution expenses

The selling and distribution expenses of our Group increased by approximately 8.5% from approximately HK$10.8 million for the financial year ended 31 March 2009 to approximately HK$11.7 million for the financial year ended 31 March 2010. The amount of sales commission paid to our sales agents increased by approximately 136.7% from approximately HK$1.6 million for the financial year ended 31 March 2009 to approximately HK$3.7 million for the financial year ended 31 March 2010. Despite the substantial increase in sales commission paid to our sales agents, our Group had controlled other selling and distribution expenses, given the increase in the total sales volume of our Group's self-manufactured products for the year under review.

Finance costs

There was no bank or other borrowings and hence no finance costs neither in the financial year ended 31 March 2010 nor in the financial year ended 31 March 2009.

Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Hong Kong subsidiaries of our Group entity had no assessable profit for the financial year ended 31 March 2010 and for the financial year ended 31 March 2009.

Provision for EIT increased from approximately HK$0.3 million for the financial year ended 31 March 2009 to approximately HK$1.0 million for the financial year ended 31 March 2010 which was attributed to the increase in assessable profit of Huizhou Junyang for the financial year ended 31 March 2010.

As stated in the Decree Law No. 58/59/M, Chapter 2, Article 12, dated 18 October 1999 of Macau, Two-Two-Free established in Macau is exempted from Macao Complementary Tax.

The effective tax rate was approximately 1.3% for the financial year ended 31 March 2010 because most of our profits for the period were generated by Two-Two-Free, which is established as an offshore company and is exempted from Macau tax, while other subsidiaries were either deriving minimal profits or incurring losses for the period under review.

Profit for the year

As a result of the foregoing, our Group's profit for the year increased by approximately 81.4% from approximately HK$43.5 million for the financial year ended 31 March 2009 to approximately HK$78.9 million for the financial year ended 31 March 2010.

Exchange difference

Exchange difference decreased by approximately 90.4% from approximately HK$1.4 million for the financial year ended 31 March 2009 to approximately HK$0.1 million for the financial year ended 31 March 2010. The exchange difference arising on translation of monetary items decreased which was attributable to the decreasing rate of appreciation of the RMB against the HK$.

Total comprehensive income for the year, attributable to owners of our Company

As a result of the foregoing, our Group's total comprehensive income for the year, attributable to owners of our Company increased by approximately 76.0% from approximately HK$44.9 million for the financial year ended 31 March 2009 to approximately HK$79.1 million for the financial year ended 31 March 2010.

Three months ended 30 June 2010 compared to three months ended 30 June 2009

Revenue

Our Group's revenue increased by approximately 33.6% from approximately HK$85.1 million for the three months ended 30 June 2009 to approximately HK$113.7 million for the three months ended 30 June 2010. The increase in revenue was mainly attributable to the growth in the sales of our manufactured general waste bags for clinical sector and the additional revenue arising from the trading business of general waste bags for clinical sector with our US customer, which was partially offset by the decrease in the sales of general waste bags for household sector. The Group did not experience any loss of customers for general waste bags for household sector for the period, while the sales value of some customers for such product declined.

Cost of sales

Our Group's cost of sales increased by approximately 56.5% from approximately HK$56.9 million for the three months ended 30 June 2009 to approximately HK$89.0 million for the three months ended 30 June 2010. The increase in cost of sales primarily due to the trading of clinical hygienic disposables with our US customer for the three months ended 30 June 2010 (which has not commenced during the comparable three months ended 30 June 2009).

Gross profit and gross profit margin

The gross profit of our Group decreased by approximately 12.6% from approximately HK$28.3 million for the three months ended 30 June 2009 to approximately HK$24.7 million for the three months ended 30 June 2010. The decrease in gross profit was mainly attributable to the decline in the sales of general waste bags for household sector, which has a higher profit margin compared to our other products.

The overall gross profit margin of our Group declined from approximately 33.2% for the three months ended 30 June 2009 to approximately 21.7% for the three months ended 30 June 2010. This was mainly attributable to the increasing sales portion of clinical sector products with a lower gross profit margin of approximately 10.0% as well as the decline in gross margins of products for household and clinical sectors for the three months ended 30 June 2010. The decrease in gross margin for clinical sector products was mainly attributed to the decrease in gross margin of our self-manufactured products for clinical sector as well as the contribution of lower gross margin from the trading business of the general waste bags for clinical sector.

Other income

Other income of our Group decreased from approximately HK$6.5 million for the three months ended 30 June 2009 to approximately HK$2.3 million for the three months ended 30 June 2010. This was mainly due to the decline in exchange gain from approximately HK$5.1 million for the three months ended 30 June 2009 to approximately HK$2.2 million.

Administrative expenses

The administrative expenses of our Group increased from approximately HK$1.9 million for the three months ended 30 June 2009 to approximately HK$2.8 million for the three months ended 30 June 2010. This was mainly due to the increase in staff costs by approximately HK$0.2 million to approximately HK$0.7 million.

Selling and distribution expenses

The selling and distribution expenses of our Group declined slightly from approximately HK$3.0 million for the three months ended 30 June 2009 to approximately HK$2.9 million for the three months ended 30 June 2010. The amount of sales commission paid to our sales agents decreased by approximately 57.4% from approximately HK$0.9 million for the three months ended 30 June 2009 to approximately HK$0.4 million for the three months ended 30 June 2010, whereas the transportation expense increased from approximately HK$1.5 million to approximately HK$1.6 million for the period under review.

Listing expenses

Our Group recorded a listing expenses of approximately HK$3.7 million for the three months ended 30 June 2010 in relation to this listing exercise.

Finance costs

There was no bank or other borrowings and hence no finance costs neither in the three months ended 30 June 2010 nor in the three months ended 30 June 2009.

Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Hong Kong subsidiaries of our Group entity had no assessable profit for the three months ended 30 June 2010 and for the three months ended 30 June 2009.

Provision for EIT increased from approximately HK$0.4 million for the three months ended 30 June 2009 to approximately HK$0.5 million for the three months ended 30 June 2010 which was attributed to the increase in assessable profit of Huizhou Junyang for the three months ended 30 June 2010.

As stated in the Decree Law No. 58/59/M, Chapter 2, Article 12, dated 18 October 1999 of Macau, Two-Two-Free established in Macau is exempted from Macao Complementary Tax.

The effective tax rate was approximately 3.1% for the three months ended 30 June 2010 because most of our profits for the period were generated by Two-Two-Free, which is established as an offshore company and is exempted from Macau tax, while other subsidiaries were either deriving minimal profits for the period under review.

Profit for the period

As a result of the foregoing, our Group's profit for the period declined by approximately 42.4% from approximately HK$29.4 million for the three months ended 30 June 2009 to approximately HK$16.9 million for the three months ended 30 June 2010.

Exchange difference

Exchange difference increased by approximately 546% from approximately HK$0.02 million for the three months ended 30 June 2009 to approximately HK$0.2 million for the three months ended 30 June 2010.

Total comprehensive income for the period, attributable to owners of our Company

As a result of the foregoing, our Group's total comprehensive income for the period, attributable to owners of our Company decreased by approximately 42.0% from approximately HK$29.5 million for the three months ended 30 June 2009 to approximately HK$17.1 million for the three months ended 30 June 2010.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

During the Track Record Period, our Group's operations were generally financed through a combination of owners' equity and internally generated cash flows. The Directors believe that in the long term, our Group's operations will be funded by internally generated cash flows and, if necessary, additional equity financing and bank borrowings.

Cash flows

The following table sets out selected cash flow data from the combined statements of cash flows for Track Record Period.

	Year ended 31 March			Three months ended 30 June	
	2008	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
NET CASH FROM OPERATING ACTIVITIES	4,797	102,606	21,664	12,110	47,039
NET CASH USED IN INVESTING ACTIVITIES	(14,035)	(98,666)	(34,658)	(9,893)	(24,528)
NET CASH FROM FINANCING ACTIVITIES	5,501	5,914	4,361	2,212	1,242
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,737)	9,854	(8,633)	4,429	23,753
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	11,336	7,980	17,861	17,861	9,237
Effect of foreign exchange rate changes	381	27	9	4	(8)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	7,980	17,861	9,237	22,294	32,982

Net cash from operating activities

Net cash from operating activities was principally derived from the receipt of payments for the sale of our Group's products. Cash used in operating activities is mainly used to pay for costs and expenses relating to operating activities.

For the financial year ended 31 March 2008, the net cash from operating activities was approximately HK$4.8 million while the profit before taxation was approximately HK$43.1 million. The difference of approximately HK$38.3 million was mainly attributable to the adjustment of non-cash item, depreciation of property, plant and equipment of approximately HK$4.5 million and the cash outflow arising from (i) the increase in inventories of approximately HK$22.7 million; (ii) the increase in trade and other receivables and prepayments of approximately HK$12.7 million; and (iii) the decrease in trade and other payables and accruals of approximately HK$6.8 million.

For the financial year ended 31 March 2009, the net cash from operating activities was approximately HK$102.6 million while the profit before taxation was approximately HK$43.9 million. The difference of approximately HK$58.7 million was mainly attributable to the adjustment of non-cash item, depreciation of property, plant and equipment of approximately HK$5.1 million and the cash inflow arising from (i) the decrease in inventories of approximately HK$35.8 million; and (ii) the decrease in trade and other receivables and prepayments of approximately HK$17.3 million.

For the financial year ended 31 March 2010, the net cash from operating activities was approximately HK$21.7 million while the profit before taxation was approximately HK$79.9 million. The difference of approximately HK$58.2 million was mainly attributable to the adjustment of non-cash item, depreciation of property, plant and equipment of approximately HK$5.3 million and the cash inflow arising from increase in trade and other payables and accruals of approximately HK$43.2 million net of the cash outflow arising from (i) increase in inventories of approximately HK$10.2 million; and (ii) increase in trade and other receivables and prepayments of approximately HK$91.8 million.

For the three months ended 30 June 2010, the net cash from operating activities was approximately HK$47.0 million while the profit before taxation was approximately HK$17.5 million. The difference was mainly arisen from the cash inflow arising from the decrease in inventories of approximately HK$8.8 million and decrease in trade and other receivables and prepayments of approximately HK$42.5 million, which was partially offset by the cash outflow arising from the decrease in trade and other payables and accruals of approximately HK$23.2 million.

Net cash used in investing activities

Cash flow used in investing activities mainly consisted of purchase of property, plant and equipment, increase in restricted bank deposits and advance to Directors. Cash flow from investing activities mainly consisted of interest received, decrease in restricted bank deposits and proceeds on disposal of property, plant and equipment.

For the financial year ended 31 March 2008, the net cash used in investing activities was approximately HK$14.0 million which was mainly due to advance to Directors of approximately HK$44.7 million, offset by repayment of amounts due from Directors of approximately HK$32.1 million, and purchase of property, plant and equipment of approximately HK$1.4 million.

For the financial year ended 31 March 2009, the net cash used in investing activities was approximately HK$98.7 million which was mainly due to advance to Directors of approximately HK$109.3 million, offset by repayment of amounts due from Directors of approximately HK$10.3 million.

For the financial year ended 31 March 2010, the net cash used in investing activities was approximately HK$34.7 million which was mainly due to advance to Directors of approximately HK$91.4 million, offset by repayment of amounts due from Directors of approximately HK$58.3 million, and purchase of property, plant and equipment of approximately HK$1.7 million.

For the three months ended 30 June 2010, the net cash used in investing activities was approximately HK$24.5 million which was mainly due to advance to Directors of approximately HK$24.4 million.

Net cash from financing activities

Cash flow from financing activities mainly consisted of advance from Directors. Cash flow used in financing activities mainly consisted of repayment to Directors and dividend paid.

For the financial year ended 31 March 2008, the net cash from financing activities was approximately HK$5.5 million which was due to the repayment to Directors of approximately HK$6.1 million and dividend payment of approximately HK$1.0 million, as offset by advance from Directors of approximately HK$12.6 million.

For the financial year ended 31 March 2009, the net cash from financing activities was approximately HK$5.9 million which was resulted from the repayment to Directors of approximately HK$89.5 million, as offset by advance from Directors of approximately HK$95.4 million.

For the financial year ended 31 March 2010, the net cash from financing activities was approximately HK$4.4 million which was due to the repayment to Directors of approximately HK$96.0 million, as offset by advance from Directors of approximately of HK$100.3 million.

For the three months ended 30 June 2010, the net cash from financing activities was approximately HK$1.2 million which was mainly due to advance from Directors of approximately HK$1.3 million.

Capital Expenditures

The following table sets out our estimated capital expenditures for the future development based on our future plan as set out in this prospectus:

	Estimated capital expenditures Year ending 31 March	
	2011	**2012**
	(HK$ million)	*(HK$ million)*
For the PRC market		
Acquisition of land use rights	29	—
Construction of production premises	28	6
Purchase of production equipment	17	144
Upgrading and addition of production facilities in Huizhou plant	—	34
Development of distribution channels in the PRC	—	23
For the US and European markets		
Development of distribution channels in the US, UK and other European markets	—	69
Total capital expenditures	74	276

Our Group expects to fund the estimated capital expenditures from the net proceeds of the Global Offerings, and as at the Latest Practicable Date, we did not make any commitments in respect of the above estimated capital expenditures.

Liquidity

Key financial ratios

	For the financial year ended 31 March 2008	2009	2010	Three months ended 30 June 2010
Inventory turnover days *(Note 1)*	114.0	86.8	46.2	42.8
Trade receivables turnover days *(Note 2)*	48.6	39.0	63.1	79.8
Trade payables turnover days *(Note 3)*	24.2	17.1	37.2	43.9
Return on equity *(Note 4)*	40.7	29.6	34.9	16.4

	At 31 March 2008	2009	2010	At 30 June 2010
Gearing ratio *(Note 5)*	—	—	—	—
Current ratio *(Note 6)*	1.4	1.3	2.1	1.6

Notes:

(1) Inventory turnover days equals average inventories, which equals inventories at the beginning of the period plus inventories at the end of the period and divided by two, divided by cost of inventories during such period and then multiplied by the number of days during such period.

(2) Trade receivables turnover days equals to the average trade and bills receivables which equals to trade and bills receivables at the beginning of the period plus trade and bills receivable at the end of the period divided by two, divided by the revenue during such period and then multiplied by the number of days during such period.

(3) Trade payables turnover days equals to the average trade payables, which equals trade payable at the beginning of the period plus trade payables at the end of the period and divided by two, divided by the cost of inventories during such period and then multiplied by the number of days during such period.

(4) Return on equity equals to the profit for each period divided by the closing balance of the total equity as at the end of the respective period multiplied by 100%.

(5) Gearing ratio is calculated by dividing total borrowings by total assets as at the end of the respective period multiplied by 100%.

(6) Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective period.

Net current assets

Details of our Group's current assets and liabilities as of respective dates of the combined statements of the financial position are extracted as follows:

	Our Group					The Company	
				As at	As at	As at	As at
	As at 31 March			30 June	30 November	30 June	30 November
	2008	**2009**	**2010**	**2010**	**2010**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)		(Unaudited)
CURRENT ASSETS							
Inventories	69,434	33,607	43,773	34,965	55,345	—	—
Prepaid lease payments	192	197	198	198	202	—	—
Trade and other receivables and prepayments	50,287	32,942	124,754	82,163	99,230	—	—
Tax recoverable	288	—	—	—	3,361	—	—
Amounts due from directors	10,826	56,808	155,933	—	—	—	—
Restricted bank deposit	517	—	—	—	—	—	—
Bank balances and cash	7,980	17,861	9,237	32,982	19,962	—	—
	139,524	141,415	333,895	150,308	178,100	—	—
CURRENT LIABILITIES							
Trade and other payables and accruals	10,807	11,770	54,965	31,719	74,419	—	500
Amounts due to directors	89,472	95,964	100,325	61,202	—	—	—
Tax payable	—	335	1,339	1,879	3,948	—	—
	100,279	108,069	156,629	94,800	78,367	—	500
NET CURRENT ASSETS (LIABILITIES)	39,245	33,346	177,266	55,508	99,733	—	(500)

As at 31 March 2008, 2009 and 2010 and 30 June 2010, the net current assets totalled approximately HK$39.2 million, HK$33.3 million, HK$177.3 million and HK$55.5 million respectively, and the current ratio was 1.4, 1.3, 2.1 and 1.6, respectively.

As at 30 November 2010, we had net current assets of approximately HK$99.7 million. The key components of our current assets as of such date included inventories of approximately HK$55.3 million, trade and other receivables and prepayments of approximately HK$99.2 million and bank balances and cash of approximately HK$20.0 million. The key components of our current liabilities included trade and other payables and accruals of approximately HK$74.4 million. Our net current assets increased by 79.7% from approximately HK$55.5 million as at 30 June 2010 to approximately HK$99.7 million as at 30 November 2010, primarily due to the increase in inventories of approximately HK$20.4 million, increase in trade and other receivables and prepayments of approximately HK$17.1 million and settlement of amounts due to directors of approximately HK$61.2 million. Such increase was partially offset by the increase of trade and other payables and accruals of approximately HK$42.7 million, as we intended to retain cash reserves for the settlement of amounts due to directors.

Working capital sufficiency

In light of the current liquidity position, and taking into account the estimated net proceeds available to us from the Global Offering and the projected cash generated from operations, the Directors confirm that our Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this prospectus.

Capital management

We manage our capital to ensure that we will be able to continue as a going concern while maximizing the return to our Shareholders through the optimization of the debt and equity balance. We regularly review and manage our capital structure taking into consideration the cost and the risks associated with each class of capital, and balance our overall capital structure through payment of dividends and raising of new capital as well as issue of debt. We had no bank borrowing during the Track Record Period and we made dividend distribution in the amount of HK$1,000,000 during the year ended 31 March 2008. We declared dividends amounting to HK$140 million to shareholders of our subsidiaries during the three months ended 30 June 2010, and was partially settled through the balances with directors. The balance of dividends was fully paid prior to the Global Offering.

Inventories

The balances of inventories as at the respective years end represented raw materials, work in progress and finished goods. Inventories were monitored on a regular basis. The following table sets out a summary of the inventory balances as at the dates indicated.

	As at 31 March			**As at 30 June**
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At cost				
Raw materials	56,940	20,168	36,447	24,727
Work-in-progress	2,051	997	3,555	3,322
Finished goods	10,443	12,442	3,771	6,916
	69,434	33,607	43,773	34,965

Neither provision nor write-off of obsolete inventories was required or recognized during the Track Record Period.

Inventory balance decreased from approximately HK$69.4 million as at 31 March 2008 to approximately HK$33.6 million as at 31 March 2009 while inventory turnover days decreased from 114.0 days for the financial year ended 31 March 2008 to 86.8 days for the financial year ended 31 March 2009. The decrease in both inventories balance and inventory turnover days reflected the increasing effort on inventory management on raw materials.

Inventory balance increased from approximately HK$33.6 million as at 31 March 2009 to approximately HK$43.8 million as at 31 March 2010 while inventory turnover days decreased from 86.8 days for the financial year ended 31 March 2009 to 46.2 days for the financial year ended 31 March 2010. The decrease in inventory turnover day was mainly due to the increase in the cost of sales arising from its trading business for the year ended 31 March 2010.

Inventory balance decreased from approximately HK$43.8 million as at 31 March 2010 to approximately HK$35.0 million as at 30 June 2010 while inventory turnover days decreased from 46.2 days for the financial year ended 31 March 2010 to 42.8 days for the three months ended 30 June 2010. The decrease in inventory balance was mainly resulted from the lower inventory level for raw materials.

Trade and other receivables and prepayments

Our Group generally allows an average credit period of 30 days to 90 days to its trade customers. The aged analysis of our Group's trade receivables (net of allowance for doubtful debts) and bills receivables at the end of each reporting period are as follows:

	As at 31 March			**As at 30 June**
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills receivables				
0–30 days	18,093	22,118	27,141	40,627
31–60 days	11,730	4,916	29,274	34,467
61–90 days	9,749	—	64,303	3,645
	39,572	27,034	120,718	78,739

Before accepting any new customer, our Group assesses the potential customer's credit quality and defines its credit limits based on results from investigation of historical credit records of these customers. There was no trade receivable which is past due but not impaired.

Trade and bills receivables balance decreased from approximately HK$39.6 million as at 31 March 2008 to approximately HK$27.0 million as at 31 March 2009 while trade and bills receivables turnover days decreased from 48.6 days for the financial year ended 31

March 2008 to 39.0 days for the financial year ended 31 March 2009. The decrease in both trade receivables balance and trade receivables turnover days reflected the improvement of trade receivables collection process of our Group during the period under review.

Trade and bills receivables balances increased from approximately HK$27.0 million as at 31 March 2009 to approximately HK$120.7 million as at 31 March 2010 while trade and bills receivables turnover days increased from 39.0 days for the financial year ended 31 March 2009 to 63.1 days for the financial year ended 31 March 2010. The increase in trade and bills receivables balances was resulted from the commencement of trading business with one of the Group's customers in the US in 2009, in which the customer was granted with credit period of up to 90 days during the financial year ended 31 March 2010 and the trade and bills receivables turnover days was kept within the credit period of one to three months granted to our Group's customers.

Trade and bills receivables balances decreased from approximately HK$120.7 million as at 31 March 2010 to approximately HK$78.7 million as at 30 June 2010 while trade and bills receivables turnover days increased from 63.1 days for the financial year ended 31 March 2010 to 79.8 days for the three months ended 30 June 2010. The decrease in trade and bill receivables was mainly resulted from the collection of receivables from the Group's customer in the US for the trading business.

The subsequent settlement up to the Latest Practicable Date of the trade and bills receivables as at 30 June 2010 amounts to approximately HK$78.7 million.

The following table sets forth the other receivables and prepayments as at the respective dates of combined statements of financial position:

	As at 31 March			**As at 30 June**
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	7,781	5,666	3,057	2,383
Other receivables	2,934	242	979	1,041
	10,715	5,908	4,036	3,424

Other receivables balance decreased from approximately HK$10.7 million as at 31 March 2008 to approximately HK$5.9 million as at 31 March 2009. The decrease was due to (i) the decrease in prepayments to suppliers of approximately HK$2.1 million; and (ii) the decrease in other receivables represented mainly the VAT recoverables of approximately HK$2.8 million.

Other receivables balance decreased from approximately HK$5.9 million as at 31 March 2009 to approximately HK$4.0 million as at 31 March 2010. The decrease was mainly due to the net effect of (i) increase in listing fee capitalized of approximately HK$3.0 million; and (ii) decrease in prepayments to suppliers of approximately HK$5.5 million.

Other receivables balance decreased from approximately HK$4.0 million as at 31 March 2010 to approximately HK$3.4 million as at 30 June 2010. This was mainly due to the prepayment from approximately HK$3.1 million as at 31 March 2010 to approximately HK$2.4 million as at 30 June 2010.

Neither provision nor write-off of bad debt was required or recognized during the Track Record Period.

Trade and other payables and accruals

The aged analysis of our Group's trade payable as at the end of each reporting period is as follows:

	As at 31 March			As at 30 June
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	9,465	10,817	18,644	21,503
31–60 days	—	—	17,870	8,596
61–90 days	—	—	14,879	—
Over 90 days	—	—	—	262
	9,465	10,817	51,393	30,361

Trade payables balance increased from approximately HK$9.5 million as at 31 March 2008 to approximately HK$10.8 million as at 31 March 2009 while trade payables turnover days decreased from 24.2 days for the financial year ended 31 March 2008 to 17.1 days for the financial year ended 31 March 2009.

Trade payables balance increased from approximately HK$10.8 million as at 31 March 2009 to approximately HK$51.4 million as at 31 March 2010 while trade payables turnover days increased from 17.1 days for the financial year ended 31 March 2009 to 37.2 days for the financial year ended 31 March 2010. The increase in both trade payables balance and trade payable turnover days was attributable to the increase in purchase to cope with the increase in sales of our Group.

Trade payables balance decreased from approximately HK$51.4 million as at 31 March 2010 to approximately HK$30.4 million as at 30 June 2010 while trade payables turnover days increased from 37.2 days for the financial year ended 31 March 2010 to 43.9 days for the three months ended 30 June 2010. The decrease in trade payables balance was mainly due to the decrease in purchase for the period under review.

The following table sets forth the other payables and accruals as at the respective dates of combined statements of financial position:

	As at 31 March			As at 30 June
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	587	45	44	84
Other tax payables	543	618	2,760	609
Others	212	290	768	665
	1,342	953	3,572	1,358

INDEBTEDNESS

Borrowings

As at the close of business on 30 November 2010, being the latest practicable date for the purpose of ascertaining the indebtedness of our Group prior to the printing of this prospectus, our Group did not have any borrowings.

Securities and guarantees

As at the close of business on 30 November 2010, being the latest practicable date for the purpose of ascertaining the indebtedness of our Group prior to the printing of this prospectus, our Group did not provide any securities or guarantees.

Contingent liabilities

As at the close of business on 30 November 2010, being the latest practicable date for the purpose of ascertaining the indebtedness of our Group prior to the printing of this prospectus, our Group did not have any material contingent liabilities.

Capital commitments

As at the close of business on 30 November 2010, being the latest practicable date for the purpose of ascertaining the indebtedness of our Group prior to the printing of this prospectus, our Group did not have any material capital commitments, or hire-purchase commitments.

DISCLAIMERS

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 November 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

OTHER FINANCIAL INFORMATION

Other Contractual Obligations and Contingent Liabilities

Our Group does not have any outstanding derivative financial instruments, guarantees or foreign currency forward contracts. Our Group is not engaged in trading activities involving non-exchange traded contracts.

Save as disclosed herein, the Directors confirm that there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 June 2010.

Related party disclosures

(i) Related party transactions

During the Track Record Period, our Group entered into the following transactions and balances with related parties:

Name of related party	Nature of transactions	Year ended 31 March 2008	2009	2010	Three months ended 30 June 2009	2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Mr. Chum	Deemed interest income *(note 1)*	—	1,000	5,000	1,250	—
Ms. Shirley Chum	Commission paid *(note 3)*	594	—	—	—	—
Speedy Fortune (Hong Kong) Limited *(note 2)*	Sales of goods	—	1,198	5,007	878	1,185

Notes:

1. The deemed interest income represented the interest income in respect of the non-current portion (that is, not repayable within the next twelve months from the end of the reporting period) of the interest-free advances to our Directors, which amounted to approximately HK$11,000,000, HK$61,000,000, HK$Nil and HK$Nil as at each of 31 March 2008, 2009 and 2010 and 30 June 2010. The deemed interest income arose as a result of measuring the non-current portion of the interest-free dues from our Directors at amortized cost using the effective interest method at 8.1% and 7.6% per annum for the years ended 31 March 2008 and 2009. All amounts due to Director outstanding as 31 March 2010 are classified as current as the amounts are expected to be settled before listing. Please refer to note 17 of the Accountants' Report under Appendix I to this prospectus for further details.

2. Ms. Shirley Chum was a director of Speedy Fortune (Hong Kong) Limited. The gross profit margins derived from the sales with Speedy Fortune (Hong Kong) Limited for the two years ended 31 March 2010 and the three months ended 30 June 2010 were approximately 48.7%, 39.7% and 42.1% respectively.

3. The commission paid to Ms. Shirley Chum for the year ended 31 March 2008 was for the introduction of new orders to our Group during the year.

4. The commission paid to Mrs. Chum for the year ended 31 March 2008 was for the introduction of new orders to our Group during the year and was recognised as the emoluments paid to the directors.

As all outstanding balance of the temporary fund transfers will be settled before the Listing, the deemed interest income arising therefrom will discontinue after the Listing.

All the amounts due to a director of approximately HK$89,472,000, HK$95,964,000, HK$100,325,000 and HK$61,202,000 as at 31 March 2008, 31 March 2009, 31 March 2010 and 30 June 2010 respectively arose from temporary fund transfer which was non-trade in nature and will be repayable within one year. During the Track Record Period, no deemed interest expense was recognized.

The commission paid to each of Mrs. Chum and Ms. Shirley Chum and the sales of goods with Speedy Fortune (Hong Kong) Limited have discontinued as at the Latest Practicable Date.

(ii) Related party balances

The detail of the related party balances during the Track Record Period is set out in note 17 of the Accountants' Report in Appendix I to this prospectus.

(iii) Compensation of key management personnel

The emolument of directors who are also identified as members of key management of our Group during the Track Record Period is set out in note 10 of the Accountants' Report in Appendix I to this prospectus.

Pledge of assets

As the end of each reporting period, the following assets were pledged to secure a bank guarantee which was given to the PRC custom authority as deposit for importing raw materials from overseas to the PRC. The interim removal of such requirement by the PRC MOFCOM and custom authority was announced in November 2008. Hence the Group is no longer required to make security deposit for Huizhou Junyang.

	As at 31 March			As at 30 June
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Restricted bank deposit	517	—	—	—
Buildings	13,027	12,696	—	—
Prepaid lease payments	4,053	—	—	—
Total pledged assets	17,597	12,696	—	—

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange rate risk

Our domestic purchases and operating expenses incurred in our Huizhou production plant are denominated in RMB while our overseas sales and purchases are mainly denominated in USD. Our foreign currency exchange risk arises mainly from a mismatch between the currency of our sales, purchases and operating expenses. To the extent that our sales, purchases and operating expenses are not denominated in the same currency, and to the extent that there are timing differences between invoicing, payment and collections, we will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than RMB. Currently, we do not have any hedging policy with respect to our foreign exchange exposure. We will continue to monitor our foreign exchange exposure and will consider hedging any material foreign exchange exposure through foreign exchange forward contracts or swaps should the need arise.

Credit risk

We have a high concentration of credit risk as our five largest customers accounted for approximately 96.3%, 85.8%, 98.1% and 95.5% of our total trade receivables for the three years ended 31 March 2010 and three months ended 30 June 2010 respectively. Such a concentrated trade receivables was mainly resulted from our credit policy granted to our stable customers so as to maintain a good and long-term relationship with our major customers. To mitigate our credit risk in light of our relatively high customer concentration, we have delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. Our management also performs periodic evaluations and customer visits to ensure our Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In addition, it is part of our future plans to develop the PRC markets for hygienic disposables and medical products which will serve to broaden our customer base and reduce our reliance on any particular key customer.

DIVIDEND POLICY

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors the Board may deem relevant.

PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

We made a dividend distribution amounted to HK$1,000,000 during the year ended 31 March 2008 through and paid by Tary to its shareholders. We declared dividends amounting to HK$140 million to shareholders of our subsidiaries during the three months ended 30 June 2010, and was partially settled through the balances with directors. The balance of dividends was fully paid prior to the Global Offering. Subject to the factors aforementioned, we currently intend, subject to the abovementioned limitations and in the absence of any circumstances which might reduce the amount of distributable profits whether by losses or otherwise, to distribute to our Shareholders not less than 30% of our distributable profits in respect of the year ending 31 March 2011.

There is, however, no assurance that we will be able to declare dividends of these amounts or any amount in any year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

Our distributable reserves consist of share premium and retained earnings. Under the Companies Law, the share premium account is distributable to shareholders if immediately following the date on which our Company proposes to distribute the dividend, our Company will be in a position to pay its debts as they fall due in the ordinary course of business. As of 30 June 2010, there were no reserves available for distribution to the shareholders.

PROFIT ESTIMATE

On the bases and assumptions set out in Appendix III to this prospectus, and including the assumption that the current group structure was in existence throughout the period ended 30 September 2010, and in the absence of unforeseen circumstances, we estimate that the combined profit attributable to the owners of our Company for the six months ended 30 September 2010 will be not less than HK$40 million.

Our Directors have prepared the estimate of the combined profit attributable to owners of our Group for the period ended 30 September 2010, based on the audited accounts of our Group for the three months ended 30 June 2010 and the unaudited management accounts of our Group for the three months ended 30 September 2010. The estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Our Company's interim report for the six months ended 30 September 2010 will be audited pursuant to Rule 11.18 of the Listing Rules if the Shares are listed on the Stock Exchange and we expect that our audited interim report will be published on or before 28 January 2011.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group attributable to the owners of our Company as at 30 June 2010 as if the Global Offering had taken place on 30 June 2010.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 30 June 2010 or at any future dates following the completion of the Global Offering.

	Audited combined net tangible assets attributable to owners of our Company as at 30 June 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share(3)
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$1.85 per Share	103,154	270,866	374,020	0.56
Based on an Offer Price of HK$2.26 per Share	103,154	331,786	434,940	0.65

Notes:

(1) The audited combined net tangible assets attributable to owners of our Company as at 30 June 2010 have been derived from the net assets of the Group as set out in the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 160,000,000 shares to be issued under the Global Offering and the Indicative Offer Price range of HK$1.85 per Share and HK$2.26 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may fall to be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 666,666,000 Shares were in issue assuming that the Global Offering had been completed on 30 June 2010 but takes no account of any Shares which may fall to be issued upon exercise of the Over-allotment Option.

(4) By comparing the valuation of our Company's property interests of approximately HK$58,821,000 as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as at 30 September 2010, the net valuation surplus is approximately HK$29,993,000, which has not been included in the above net tangible assets attributable to owners of our Company as at 30 June 2010. The revaluation of our Group's property interests will not be incorporated in our Group's financial information. If the revaluation surplus is to be included in our Group's financial information, an additional depreciation and amortization charge of approximately HK$2,927,000 per annum related to land use right would be recorded.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests, including land use rights as of 30 September 2010 at HK$58,821,000. The texts of its letter, summary of valuation and valuation certificates are set out in Appendix IV to this prospectus. A reconciliation of the property interests of our Group and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set out below:

	HK$'000
Net book value of property interests as of 30 June 2010 (audited)	30,428
Add: Exchange realignment	93
Less: Depreciation and amortization for the three months ended 30 September 2010	(1,693)
Net book value as of 30 September 2010 (unaudited)	28,828
Add: Valuation surplus as of 30 September 2010	29,993
Valuation as of 30 September 2010 as per Appendix IV to this prospectus	58,821

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances which would give rise to a disclosure under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there is no material adverse change in our financial position since 30 June 2010 (being the date to which our latest combined financial information was prepared in the Accountants' Report set out in Appendix I to this prospectus).