COME SURE

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Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 00794

# Annual Report 2011

# Contents

# Corporate Information

## Executive directors

Mr. CHONG Kam Chau *(Chairman)*
Mr. CHONG Wa Pan *(Chief Executive Officer and President)*
Mr. CHONG Wa Ching
Mr. CHONG Wa Lam

## Independent non-executive directors

Mr. CHAU On Ta Yuen
Ms. TSUI Pui Man
Mr. LAW Tze Lun

## Legal advisers to the Company

### As to Hong Kong law:

Loong & Yeung Solicitors
Suites 2001–2005, 20th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

### As to Cayman Islands law:

Appleby
Suites 2206–19
Jardine House
1 Connaught Place
Central
Hong Kong

### As to PRC law:

B&W Partners
1205, Zone A, East Block
Haian Building
Haide Third Street
Nanshan District
Shenzhen, PRC

Guangdong Rongan Solicitors
Room 704, Block 1,
Dongjiang Haoyuan,
1 Longjing Road,
Baoan District,
Shenzhen, PRC

## Auditor

SHINEWING (HK) CPA Limited
43rd Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

## Valuers

Grant Sherman Appraisal Limited
Room 1701, 17th Floor
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

## Registered office

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

## Head office and principal place of business in Hong Kong

Units 8–10, 8th Floor
Cornell Centre
50 Wing Tai Road
Chai Wan
Hong Kong

## Company website address

www.comesure.com

## Company secretary

Mr. HUNG Man Yuk, Dicson *CPA*

## Authorised representatives

Mr. CHONG Wa Ching
Mr. CHONG Wa Lam

# Corporate Information

## Authorised person to accept service of process and notice under Part XI of the Companies Ordinance

Mr. CHONG Wa Ching

## Members of audit committee

Mr. LAW Tze Lun *(Chairman)*
Mr. CHAU On Ta Yuen
Ms. TSUI Pui Man

## Members of remuneration committee

Ms. TSUI Pui Man *(Chairman)*
Mr. CHAU On Ta Yuen
Mr. LAW Tze Lun
Mr. CHONG Wa Pan

## Members of nomination committee

Ms. TSUI Pui Man *(Chairman)*
Mr. CHAU On Ta Yuen
Mr. LAW Tze Lun
Mr. CHONG Wa Pan

## Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4–4A Dex Voeux Road
Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Centre
99 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

## Principal share registrar and transfer agent

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

## Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

## Investor Relation Contact

NCC Financial PR Limited
Unit 05–06, 11/F
COSCO Tower
183 Queen's Road
Hong Kong

# Financial Summary

| Results | Year ended 31 March 2007 HKD'000 | 2008 HKD'000 | 2009 HKD'000 | 2010 HKD'000 | **2011 HKD'000** |
|---|---|---|---|---|---|
| Turnover | 643,198 | 665,667 | 614,780 | 478,436 | **697,640** |
| Cost of goods sold | (517,840) | (524,737) | (499,094) | (393,290) | **(574,156)** |
| Gross Profit | 125,358 | 140,930 | 115,686 | 85,146 | **123,484** |
| Other income | 1,761 | 3,147 | 2,678 | 1,434 | **2,975** |
| Selling expenses | (21,377) | (19,078) | (22,381) | (19,063) | **(28,928)** |
| Administrative expenses | (38,816) | (48,934) | (49,654) | (54,087) | **(69,656)** |
| Other operating expenses | (4,599) | (1,392) | (6,014) | (166) | **(352)** |
| Decrease in fair value of held for trading investments | — | — | — | — | **(1,967)** |
| Share-based payments | — | — | — | (474) | **(7,928)** |
| Profit from operations | 62,327 | 74,673 | 40,315 | 12,790 | **17,628** |
| Gain on bargain purchase | — | — | — | — | **4,365** |
| Gain on disposal of subsidiaries | — | — | — | 15,989 | **—** |
| Finance costs | (9,982) | (6,841) | (4,166) | (896) | **(2,377)** |
| Profit before tax | 52,345 | 67,832 | 36,149 | 27,883 | **19,616** |
| Income tax expense | (3,201) | (5,908) | (3,628) | (2,974) | **(3,613)** |
| Profit for the year | 49,144 | 61,924 | 32,521 | 24,909 | **16,003** |


# Financial Summary

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| Assets and Liabilities | 2007 HKD'000 | 2008 HKD'000 | 2009* HKD'000 | 2010* HKD'000 | **2011 HKD'000** |
| Non-current assets | 136,717 | 136,978 | 147,360 | 136,617 | **252,626** |
| Current assets | 281,807 | 348,057 | 297,950 | 368,033 | **424,472** |
| Total assets | 418,524 | 485,035 | 445,310 | 504,650 | **677,098** |
| Non-current liabilities | 8,776 | 10,721 | 2,285 | 1,789 | **18,440** |
| Current liabilities | 195,581 | 231,687 | 95,696 | 88,864 | **188,567** |
| Total liabilities | 204,357 | 242,408 | 97,981 | 90,653 | **207,007** |
| Equity attributable to the owners of the Company | 214,167 | 242,627 | 347,329 | 413,997 | **451,195** |
| Non-controlling interest | — | — | — | — | **18,896** |
| Total equity | 214,167 | 242,627 | 347,329 | 413,997 | **470,091** |

* the figures for the years ended and as at 31 March 2009 and 2010 have been restated due to change in accounting policies. Please refer to note 2 to the consolidated financial statements for details.

# GROWING

## Demand of Consumer Goods

The increasing demand of consumer goods drives the growth of paper-based packaging products industry in the PRC, providing expansion potential to the Group.


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C区4架
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# Chairman's Statement

## Dear our valued shareholders,

On behalf of our board of directors ("the Board"), I am pleased to present the annual results of Come Sure Group (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2011 (the "Year").

## Overview

The global economy continues to maintain a challenging business environment during the Year due to the European debt crisis and the fiscal policy of the United States of America (the "U.S."). Nevertheless, the People's Republic of China (the "PRC") maintained a stable economic growth. Thanks to the management's effort on the continued expansion on the PRC domestic sales network, the Group was proud to achieve a remarkable sales growth of 52.0% in the PRC domestic market. During the Year, turnover of HK$697.6 million was recorded, representing a 45.8% increase over the HK$478.4 million reported last year.

The economic growth and the surge of the minimum wage in the PRC in 2010, both boost the consumer-purchasing power and leads to a driving force for the increase in the demand of consumer goods. As a result, the paper-based packaging products industry in the PRC continues to grow steadily. During the Year, the Group successfully secured a numerous of new customers in different industries, contributing to significant growth in sales. With our well-established sales network and our strong sales and marketing team, the Group is able to further expand its network and capture the opportunity arising from the PRC domestic market.

Apart from the PRC market, the Group strived to develop its export market to Hong Kong. The Group recorded 33.0% increased in direct export sales to Hong Kong during the Year compared to last year. The Group believes that the continued growth in the demand of paper-based packaging products should be positive for the Hong Kong market. We will continue to look for further opportunities in capturing the demand in Hong Kong and the PRC market.

# Chairman's Statement

In addition to the market development, the Group also continues its effort in providing value-added services, in order to differentiate itself from other packaging suppliers, and help to establish the mutually beneficial relationships between the Group and its customers.

## Production plants

### Guangdong

The three production plants in Shenzhen will continue to serve the customers in the west of Dongguan and Shenzhen areas with our strong production capacity.

A new plant, located in Huidong County, Huizhou, has been commenced trial operation subsequent to the balance sheet date and the annual capacity is expected to reach 100 million square metres of corrugated paper-board and 100 million pieces of corrugated cartons. The new plant can meet the increasing demand of corrugated products in east of Dongguan, Huizhou, Chaoshan and its surrounding areas, and facilitate the Group to expand its market share in Guangdong Province by extending the servicing radius from 100 kilometers to 450 kilometers.

### Jiangxi

The newly acquired subsidiary, Rising Sun (Jiangxi) Company Limited (the "Rising Sun"), has started to contribute revenue to the Group, and the Group will further utilize its production capacity in order to capture the market opportunities from surrounding areas in Jiangxi.

### Fujian

On 29 July 2010, the Group entered into a joint-venture agreement ("Joint-Venture Agreement") for the purposes of engaging in sales and manufacturing corrugated paper-board and paper-based packaging products in Fujian province. The first stage construction of the plant is expected to be completed and commenced operation by year 2013. We believe that the new plant in Fujian can contribute significant revenue to the Group.

## Social responsibility

The public awareness on environmental protection is increasing and the Group has been always focusing on this issue. Being a "one-stop green packaging partner", the Group has sufficient resources to manufacture its products that could meet with the environmental standards, including the European Restrictions of Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipment (WEEE) in the European Union and the United States. The Group is also accredited with ISO14001 Environmental Management Standard, which reinforces the social responsibility of the Group in producing more environmental-friendly packaging products.

## Prospect

Looking forward, the Group will continue to adopt prudent strategy to maintain stable growth of its paper-based packaging business. With the existing and new production plants, the Group is well-prepared to meet future surging demand of corrugated products in Guangdong, Jiangxi, Fujian provinces and nearby areas. Nevertheless, given the industry is still challenging with uncertainties such as rising raw material cost and labour cost, the Group will strive to adopt stringent cost control and aim at maximizing profits for the shareholders.

Last of all, we will keep seeking for suitable acquisition or investment opportunities to further secure our market position and hence enhance shareholder's value.

## Acknowledgement

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and business partners for their supports. My thanks also go to all staff members of the Group for their contributions and commitment. Their support has been extremely important for the continuing growth and success of the Group.

**CHONG Kam Chau**
*Chairman*
28 June 2011


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Looking forward, the Group will endeavor to adopt prudent strategy to maintain stable growth of its paper-based packaging business.

# Management Discussion and Analysis

## Business Review

In light of the European sovereign debt crisis and the fiscal policy of the U.S. creating uncertainties to the global economic recovery, the economy of the PRC continues to maintain a strong growth allowing the improvement of purchasing power of the people and hence the increase demand of packaging products.

In view of the opportunities resulting from the PRC's developing economy, the Group continued to focus on the PRC's domestic market development during the year, and thus, the sales revenue generated from PRC's domestic market grew by approximately 52.0% as compared to 2010. The sales revenue generated from domestic delivery export and direct export also increased by approximately 41.4% and approximately 33.0% respectively.

The Group also actively expands the sales networks in order to capture the gradually increasing demand outside Shenzhen area. During the year, the Group effectively acquired 51.0% of Rising Sun, a production plant in Jiangxi, which expanded the Group's production capacity by around 20%. In addition, the Group signed a Joint-Venture Agreement for the purposes of engaging in sales and manufacturing corrugated paper-board and paper-based packaging products in Fujian.

In addition to focusing on the PRC domestic market, the Group also aimed to deliver value-added services and improve our customer base by targeting renowned brands. During the year, we successfully secured a considerable number of new customers, which included an international furniture manufacturer, a coffee shop chain, a multi-national based trading and retailing company, manufacturer of international home-appliances brands and other well-known brands in various industries, in providing tailor-made designed packaging products.

In respect of internal operation, the Group has continued to improve operation efficiency by carrying out comprehensive research on production flows and effectively implementing the improvement measures. The Group also continued to control raw material costs through prudent inventories and procurement management, and to employ stringent credit control and prudent financial management, which allowed the bad debts rate to remain low and maintained a healthy financial position for the Group's development.

### Turnover Percentage by Market 2010/11


### Turnover Percentage by Market 2009/10

# Management Discussion and Analysis

## Result of operation

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **HKD'000** | **(%)** | HKD'000 | (%) |
| PRC domestic sales | **331,670** | **47.5** | 218,188 | 45.6 |
| Domestic delivery export | **332,122** | **47.6** | 234,804 | 49.1 |
| Direct export | **33,848** | **4.9** | 25,444 | 5.3 |
| Total Sales | **697,640** | **100** | 478,436 | 100 |
| Gross profit ratio | | **17.7** | | 17.8 |
| Net profit ratio* | | **2.8** | | 2.0 |

* *before the gain of disposal of subsidiaries, gain on bargain purchase and share-based payments*

## Revenue

During the year under review, the sales revenue of the Group surged by approximately 45.8% from approximately HK$478.4 million in last year to approximately HK$697.6 million.

### Shenzhen operation

The sales revenue generated from Shenzhen operation amounted to approximately HK$615.5 million, increased by approximately 28.7% as compared to approximately HK$478.4 million last year. During the year our Shenzhen operation stepped up its effort in developing high value added structure designed products in order to secure renowned brands and to capture a higher profit margin. The result is encouraging, resulting in a lift of the sales revenue generated from printed cartons and other paper-wares by approximately 44.3% from approximately HK$312.8 million to approximately HK$451.4 million with the average selling price and the sales volume increased by approximately 15.8% and approximately 24.6% respectively.

### Jiangxi operation

The operation in Jiangxi contributed approximately HK$82.1 million sales revenue to the Group from the date of acquisition to the year ended date 31 March 2011. However, its potential has not been fully reflected; with

# Management Discussion and Analysis

the Group actively participating in the sales management, the performance subsequent to the year ended are encouraging, the average sales revenue lifted up by more than 20.0% for the first two months as compared to the average sales revenue during the period from the date of acquisition to the year end date of 31 March 2011, and the Group believes that the Jiangxi operation would better utilize its production capacity and be able to capture the large potential market nearby the Jiangxi area in the coming years.

## Gross profit

The increase in production costs, especially for raw paper materials and labour cost were challenging to the paper-based packaging manufacturers.

For the Group, among the other production controls, the increase in product selling price effectively mitigated the surge of raw paper materials cost, and the productivity-based calculation of labour wages also helped the Group control the impact of increase in labour cost.

During the year, cost of goods sold increased in line with the increase in sales revenue by approximately 46.0%, and the gross profit increased by approximately 45.1% from approximately HK$85.1 million to approximately HK$123.5 million. The gross profit margin remained stable at approximately 17.7% as compared to approximately 17.8% in last year.

### Shenzhen operation

The gross profit contributed by the operation of Shenzhen amounted to approximately HK$112.2 million, and the gross profit margin improved from approximately 17.8% to approximately 18.2%, which revealed the Group's achievement in high value added products development.

### Jiangxi operation

The gross profit and gross profit margin of the operation in Jiangxi from the date of acquisition to the year ended dated 31 March 2011 were approximately HK$11.3 million and approximately 13.8% respectively. With approximately 70% of sales revenue generated from sales of corrugated paper-board from the date of acquisition to the year end date of 31 March 2011, the gross profit margin was relatively lower than the operation in Shenzhen. In order to improve the gross profit margin, the Group will actively participate in its sales and production management, target the high value-added products market and bring the experience in production management to the Jiangxi operation. The Group expects that the operation in Jiangxi will bring an increasing income stream with a better margin in the forthcoming years.

## Selling and Administrative expenses

The selling expenses increased by approximately 51.3% from approximately HK$19.1 million to approximately HK$28.9 million. The increase was mainly attributed to the rise of goods delivery expenses and commission paid in line with the turnover surge.

As for administrative expenses, they increased by approximately 28.8% from approximately HK$54.1 million to approximately HK$69.7 million, reflecting mainly the increase of salaries and allowance.

## Other Operating Expenses

The other operating expenses increased from HK$166,000 to HK$352,000, which mainly represented impairment of doubtful debts during the year.

## Finance Costs

The finance cost increased from approximately HK$0.9 million to approximately HK$2.4 million. Additional bank loans were raised to finance the machines for the existing plant in Shenzhen and the new plant in Hui Dong, and interests of approximately HK$1.1 million for other loan and amount due to a non-controlling interest were attributed to the Jiangxi operation.

# Management Discussion and Analysis

## Net Profit and Dividend

The net profit attributable to the owner of the Company decreased by approximately 26.1% from approximately HK$24.9 million to approximately HK$18.4 million, and the net profit ratio decreased from approximately 5.2% to approximately 2.3%. The decrease was mainly due to share-based payments of approximately HK$7.9 million incurred during the year, and there was a gain on disposal of subsidiaries of approximately HK$16.0 million last year.

Basic earnings per share were HK5.60 cents (2010: HK8.81 cents) The Board proposed a payment of final dividend of HK1.9 cents per ordinary share.

## Working Capital

| | Turnover days | |
|---|---|---|
| | **2011** | 2010 |
| Trade receivable | **67** | 69 |
| Trade payable | **31** | 25 |
| Inventories | **47** | 58 |
| Cash conversion cycle* | **83** | 102 |

* *Trade receivable turnover days + Inventories turnover days — Trade payables turnover days*

Since sales surged, trade receivables amounted to approximately HK$163.3 million, increasing by approximately 77.5% against approximately HK$92.0 million last year. With the credit control measure adopted by the Group, trade receivables turnover days were slightly improved from 69 days to 67 days.

Trade payables increased from approximately HK$27.6 million to approximately HK$68.7 million. The trade payables turnover days increased by 6 days to 31 days as compared to 25 days in 2010.

Inventories carried a total worth of approximately HK$74.4 million, which remained stable as compared to approximately HK$75.0 million last year. The inventories turnover went down by 11 days from 58 days to 47 days, representing the Group had implemented a stringent inventories control to reduce the holding risk.

The cash conversion cycle of the Group improved from 102 days for the year ended 31 March 2010 to 83 days for the year ended 31 March 2011, which represented the Group had improved operation effectiveness and reduced the liquidity risk.

# Management Discussion and Analysis

## Liquidity and Financial Resources

| | 2011 | 2010 |
|---|---|---|
| Current ratio | **2.3** | 4.1* |
| Gearing ratio | **9.2%** | 6.0% |

* *The current ratio as of 31 March 2010 had been restated due to the change of accounting policies. Please refer to note 2 to the consolidated financial statement for details.*

During the year, the principal sources of working capital of the Group were the cash flow from operating activities and bank borrowings. As at 31 March 2011, the Group's total cash and cash equivalents were mostly denominated in Hong Kong dollars and Renminbi, bank balances and cash amounted to approximately HK$138.9 million (2010: approximately HK$163.9 million), excluding pledged deposit of approximately HK$15.7 million, and the unused banking facilities totaled to approximately HK$505.3 million.

The current assets and current liabilities increased from approximately HK$368.0 and approximately HK$88.9 million to approximately HK$424.5 million and approximately HK$188.6 million respectively. Current ratio (current assets divided by current liabilities) decreased from 4.1 to 2.3.

Total outstanding bank and other borrowings increased from approximately HK$30.2 million to approximately HK$62.5 million, reflecting mainly the increase of raw paper materials import loans to meet surging sales, and additional bank loans were raised to finance the machines for the existing plant in Shenzhen and the new plant in Huidong. The gearing ratio (total borrowings divided by total assets) increased from 6.0% to 9.2%, the Group maintained sufficient banks and cash balances to repay all borrowings as at 31 March 2011. The details of interest bearing bank borrowings as at 31 March 2011 are disclosed in notes 24 and 25 to the consolidated financial statements.

As at 31 March 2011, the Group still maintains a sound liquidity position and possess sufficient cash and banking facilities to meet the working capital requirements for existing operations and to finance investment in new plants.

## Foreign Exchange Risk

The Group is exposed to foreign currency risks as some of its business transactions, assets and liabilities were denominated in currencies other than the functional currency of the respective member of the Group. During the year under review, the Group was able to generate sufficient RMB income to match with the RMB expenses of the Group's PRC subsidiaries. Therefore the Group did not enter into any hedging arrangements during the year under review. The Group will continue to monitor the foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## Charge of Assets

As at 31 March 2011, the Group pledged certain assets including bank deposits, prepaid lease payments and property, plant and equipment with aggregate net book value of approximately HK$51.2 million (2010: approximately HK$27.0 million) to secure banking facilities granted to the Group.

## Capital Commitment and Contingent Liabilities

As at 31 March 2011, the Group's capital expenditure contracted but not provided for regarding property, plant and equipment and capital contribution into a subsidiary were approximately HK$41.6 million (2010: approximately HK$7.4 million) and approximately HK$21.3 million (2010: Nil) respectively.

As at 31 March 2011, the Group has no significant contingent liabilities (2010: Nil).

## Significant Investment Held and Material Acquisition and Disposal

Speedy Concept Development Limited ("Speedy Concept"), a wholly-owned subsidiary of the Company, Rising Sun (HK) Industrial Holdings Company Limited (the "Rising Sun (HK)"), a limited company incorporated in Hong Kong and 10 shareholders of Rising Sun (HK) in aggregate holding 75% of the entire issued share capital of Rising Sun (HK) had entered into the sale and purchase agreement (the "Sale and Purchase Agreement") on 20 April 2010, pursuant to which Speedy Concept had conditionally agreed to acquire and Rising Sun (HK) had conditionally agreed to sell 56.05% of the entire issued share capital of Fully Chance

# Management Discussion and Analysis

Holdings Limited ("Fully Chance") at a total consideration of HK$18,904,634. The consideration is satisfied by cash payment of HK$9,439,034 and the remaining balance is satisfied by the issue of 6,800,000 ordinary shares of the Company (the "Consideration Shares"). The total consideration of HK$18,904,634 as disclosed in the announcement of the Company dated 20 April 2010 was based on the issue price of HK$1.392 per Consideration Share with reference to the average closing price of the Shares for the last ten consecutive trading days up to and including 31 March 2010. The value of the Consideration Shares was finally fixed at HK$1.16 per Consideration Share, which was the closing price of the Shares on 28 April 2010, being the date of completion of the acquisition. This resulted in a decrease in total consideration from HK$18,904,634 to HK$17,327,034. Fully Chance is the legal and beneficial owner of 91% equity interest in Rising Sun Paper (Jiangxi) Company Limited ("the Rising Sun"), a sino-foreign joint venture enterprise established in the PRC. Rising Sun is principally engaged in the manufacturing and processing of paper-boards, paper boxes and high-class packaging paper. For details of the acquisition, please refer to the announcement of the Company dated 20 April 2010. The Consideration Shares had been issued on 20 May 2010.

## Formation of a Joint Venture Company

On 29 July 2010, Mass Winner Holdings Limited ("Mass Winner"), a wholly-owned subsidiary of the Company, had entered into the Joint Venture Agreement with Crown Gold Limited ("Crown Gold"), a company wholly-owned by Mr. ZHANG Cheng Fei, who is an executive director and the controlling shareholder of Nine Dragons Paper (Holdings) Limited ("Nine Dragons"). Pursuant to the Joint Venture Agreement, the parties formed a joint venture company, Turbo Best Holdings Limited ("Turbo Best"), on 22 October 2010 in which Mass Winner and Crown Gold hold 60% and 40% respectively of the total issued share capital of Turbo Best. Turbo Best had set up a wholly-foreign owned enterprise, Come Sure Packing Products (Quanzhou) Co Ltd ("Come Sure Quanzhou"), in the PRC on 19 January 2011, a wholly-owned subsidiary of the Turbo Best with initial registered capital of HK$50 million, which would be principally engaged in sales and manufacturing of corrugated paper-board and paper-based packaging products. The total contribution commitment by the Group is HK$30 million which is in proportion to its shareholding in Turbo Best.

## Employees and Remuneration

As at 31 March 2011, the Group employed approximately 1,330 employees (2010: approximately 600). Competitive remuneration packages and relevant training were offered to employees.

Total staff cost including directors' emolument amounted to approximately HK$75.2 million (2010: approximately HK$46.1 million). Salaries are reviewed annually based on merit, working performance and the prevailing market condition. The Group may also grant share options and discretionary bonuses to eligible employees based on their individual performances and the Group's result.

The remuneration and bonuses of executive directors and senior management are reviewed and approved by the remuneration committee with reference, but not limited to, the individual's performance, the Group's results, qualification and competence, and the prevailing market condition.

## Prospects

Despite the slowing down economy recovery of the U.S. and the European debt crisis, the PRC economy remains strong; the rise in PRC consumer's buying power ensured domestic demand of packaging products.

During the past few years, the Group effectively shifted its business focus from the export market to the PRC domestic market. The proportion of domestic sales jumped from approximately 30% in 2008 to approximately 50% during the year. Looking forward, the Group will keep its focus on domestic market development by expanding sales network. After the acquisition of Rising Sun during the year, the new production plant in Hui Dong had successfully commenced trial production subsequent to the balance sheet date. Also, the Group had started to map out the establishment of a production plant in Fujian, and it is expected to commence operation in year 2013. The construction of the new production plant will further enhance the Group's production capacity in capturing the increasing market demand in domestic market.

Simultaneously, the Group will also continue its effort in providing value-added services, including structural design and logistics management, and maintain sufficient capital resources for the latest environmental protection development for ensuring our products to meet with the latest environmental standards. The Group believes that such value-added services can differentiate itself from other packaging suppliers, and help to establish the mutually beneficial relationships between the Group itself and the customers, as well as to strengthen the Group's risk resistance capability at times of market adversity.

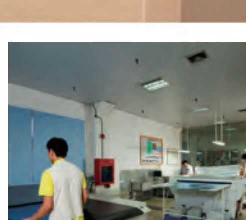
# STRONG Design Capacity

With our strong expertise in the design development, our Group possesses capability in delivering tailor-made designs to accommodate our customers' needs, bringing mutual benefit to the Group and its business partners.




minx


专业检测



# Corporate Governance Report

The Board is committed to maintaining appropriate corporate governance practices to enhance the accountability and transparency of the Company in order to protect its shareholders' interests and to ensure that the Company complies with the latest statutory requirements and professional standards.

The Company has complied with most of the code provisions set out in Appendix 14 – Code on Corporate Governance Practices (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 March 2011, except for the deviation from the code provision A.2.1 of the Code as described under the subsection headed "Role of Chairman and Managing Directors" below.

## Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by Directors (including executive directors and independent non-executive directors).

All the members of the Board have confirmed, following specific enquires by the Company, that they had complied with the required standards set out in the Model Code throughout the year.

## The Board

The Board is responsible for the overall management of the Company and the mission of the Board is to maximise the shareholders' return and uplift the Company's long term value.

The Board has formulated the overall business strategies and management policies, and set up the corporate governance practices, internal control procedures and risk management in ensuring the Company is managed appropriately.

The Company will provide sufficient resources to all Directors to discharge their duties; independent professional advice is available in appropriate circumstances at the Company's expenses upon reasonable request to the Board, and all Directors have access to the company secretary's advice with a view to ensuring that Board procedures, and all applicable rules and regulations are followed.

### Board Composition

As at 31 March 2011, the Board had 7 members which comprised:

Four executive directors, namely Mr. CHONG Kam Chau, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam; and

Three independent non-executive directors, namely Mr. CHAU On Ta Yuen, Ms. TSUI Pui Man and Mr. LAW Tze Lun.

The members of the Board have various experience and skills, and possess different professional knowledge which is appropriate for the requirement of the business of the Company. The brief biographical details of the Board are set out in the section of "Directors and Senior Management" of this annual report.

# Corporate Governance Report

## The Board (Continued)

### Board Composition (Continued)

Mr. CHONG Kam Chau, the Chairman of the Board, is the father of Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam. Apart from that, there is no relationship (including financial, business, family or other material relationship) among members of the Board. In compliance with Rule 3.10 of the Listing Rules, the Board comprises three independent non-executive directors which represents more than one-third of the Board. These independent non-executive directors possess a broad range of expertise and experience in the areas of business management, legal, and accounting and finance matters. The current Board composition brings a strong independent element to the Board, which can effectively exercise independent judgment in making reasonable strategic decisions in different aspects.

The Company has received, from each of the independent non-executive directors, an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company also considers all independent non-executive directors to be independent in accordance with the above-mentioned independence guidelines. Each independent non-executive director has been re-appointed for a term of two years from 26 February 2011.

### Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals. Directors may participate either in person or through other electronic means of communication (the practice of obtaining Board consent through the circulation of written resolution does not constitute a regular Board meeting). Ad-hoc meetings will also be convened if any events raises the Board's concern.

During the year, 11 Board meetings were held for reviewing the operating performance and latest market condition, considering and approving the overall strategies, allotment of consideration shares, grant of share options, acquisition of subsidiaries, formation of Joint Ventures Companies, resignation and appointment of directors and company secretary, and the annual/interim results of the Group for the year ended 31 March 2011. The composition and the attendance of individual directors at these Board meetings were as follows:

| Directors | Attended/Eligible to attend |
|---|---|
| **Executive Directors** | |
| Mr. CHONG Kam Chau | 11/11 |
| Mr. CHONG Wa Pan | 11/11 |
| Mr. YIU Ho Chi, Stephen (resigned on 1 July 2010) | 5/5 |
| Mr. CHONG Wa Ching | 11/11 |
| Mr. CHONG Wa Lam | 11/11 |
| **Independent Non-executive Directors** | |
| Mr. CHAU On Ta Yuen | 7/11 |
| Ms. TSUI Pui Man | 8/11 |
| Mr. LAW Tze Lun | 8/11 |

# Corporate Governance Report

## The Board (Continued)

### Board Meetings (Continued)

The company secretary is responsible for preparing agenda for regular Board meetings and will despatch the agenda to all Directors at least 10 days in advance and that all Directors will have the opportunity with reasonable time to include matters in the agenda for regular Board meetings.

Notice for regular Board meetings will be sent to all Directors at least 14 days in advance to facilitate the attendance. For all other Board meetings, the agenda and notice will be despatched at least three days in advance.

A duly appointed secretary is responsible for keeping the minutes of Board meetings and meetings of Board Committees, all minutes are open for inspection by any Director at a reasonable time on reasonable notice. All the minutes are kept in sufficient details, including matters considered by the Board, decisions reached and any concerns raised by Directors or dissenting views expressed. The draft minutes will be despatched to all Directors within five working days for their comment and the approved final version will be sent to all Directors within 15 working days for their record after the meetings.

## Delegation of management functions

With clear directions given, the Board has delegated the day-to-day management, administration and operations of the Company to the management. The responsibilities and authorities of each level of staff are clearly outlined in the Group's control policies, in case of any substantial transactions the management has to report back and obtain prior approval from the Board. The performances of the management are regularly assessed by the Executive Committee, which consist of the executive directors. In addition to the Executive Committee, the Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee (collectively, the "Board Committees") and delegated various responsibilities to these committees as set out in their respective terms of reference. Further details of these committees are set out on page 24 to page 26 of this annual report.

## Role of Chairman and Managing Director

During the year, Mr. CHONG Kam Chau is the Chairman and Mr. CHONG Wa Pan is the Managing Director of the Company. The Chairman is responsible for providing leadership for the Board in strategic planning and overall development of the Group and ensuring the Board runs effectively, while the Managing Director is responsible for the overall management of the Group and the implementation of the corporate goals and objectives resolved by the Board.

In addition to the Chairman and Managing Director, there is a clear division of responsibilities among the Directors to ensure the balance of power and segregation of duties. All major decisions are made collectively by the Board with reference to the opinions and recommendations given by appropriate committees, if any, as well as the senior management of the Group.

The Board considers that the responsibilities of Chairman and Managing Director are clearly divided, so no written terms of division of responsibilities is necessary. This constitutes a deviation from code provision A.2.1 of the Code which stipulates that the division responsibilities between the Chairman and the Chief Executive Officer should be clearly established and set out in writing.

## Role of Chairman and Managing Director (Continued)

Subsequent to the year end date, the Board of the Group had re-designated (the "Re-designation") the following Directors with effect from 13 July 2011:

(i) Mr. CHONG Kam Chau, the Chairman, the President and an executive director, has resigned as the President. He will remain as the Chairman and an executive director; and

(ii) Mr. CHONG Wa Pan, the Managing Director and an executive director, has been re-designated from the Managing Director to the Chief Executive Officer of the Group, and appointed as the President. He will remain as an executive director.

After the Re-designation, Mr. CHONG Kam Chau, as the Chairman, is responsible for the strategic planning and overall development of the Group. Mr. CHONG Wa Pan, as the Chief Executive Officer, is responsible for overseeing the daily operations of the Group.

The Board believes that the overall control and efficiency of the operation will be substantially improved pursuant to the Re-designation.

The division of responsibilities between the Chairman and the Chief Executive Officer are clearly defined and set out in writing that makes no deviation from code provision A.2.1 of the Code.

## Appointment, Re-election and Removal

At each annual general meeting of the Company, at least one third of the Directors for the time being will retire from office by rotation. However, if the number of directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring directors. The director who shall retire in each year will be those who have been longest in the office since their last re-election or appointment. Therefore, all Directors shall be subject to retirement at least once every three years.

The independent non-executive directors were re-appointed for a term of two years from 26 February 2011.

From time to time, the Board shall have the power to appoint any person as a director to fill a casual vacancy or as an additional director. Any directors so appointed shall then be eligible for re-election at the next general meeting after the appointment.

Any newly appointed director will receive an induction handbook to ensure that the director has proper understanding of the operation and business of the Company and fully aware of the responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

The Nomination Committee reviews the Board structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. When vacancies on the Board exist, the Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary. Few candidates, who will be interviewed initially by an independent director, will then be presented to the Board and meet all the Directors.

## Appointment, Re-election and Removal (Continued)

The Nomination Committee will make recommendations to the Board on relevant matters relating to the appointment, re-election and removal of directors. Mr. CHONG Wa Ching, Mr. CHONG Wa Lam and Mr. LAW Tze Lun shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Board Committees

The Company has formed four committees, the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee; all Board Committees are formed with specific written terms of reference which deal clearly with the committees' authority and duties.

## Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the code provisions of the Code. The main duties of the Audit Committee are to consider the relationship of external auditors, to review the consolidated financial statements of the Group, and to oversee the Group's financial reporting system and internal control procedures. The Audit Committee consists of three independent non-executive directors, namely Mr. LAW Tze Lun, the Chairman of the Audit Committee, Mr. CHAU On Ta Yuen and Ms. TSUI Pui Man.

None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The duties of the Audit Committee are set out in the terms of reference, which include, among others, the following:

(i) To monitor the integrity of the consolidated financial statements, annual reports and interim reports of the Company and to review any significant financial reporting judgments contained in them.

(ii) To monitor the independence and objectivity of the external auditors and the effectiveness of the audit process, make recommendations to the Board on appointment, re-appointment and removal, and to approve the remuneration and term of engagement of external auditors.

(iii) To review the effectiveness and adequacy of the financial control, internal control and risk management system, and to ensure the timely response from management towards the internal control findings and the management letter from external auditors.

During the year, three meetings were held by the Audit Committee to consider the appointment/resignation of external auditors and their remuneration and terms of engagement, and the financial reporting of the Company's annual and interim results. Except for Mr. CHAU On Ta Yuen who attended two out of three meetings, all committee members attended all the meetings.

The Audit Committee, together with the management and the external auditor, has reviewed the results announcement, the audited consolidated financial statements of the Group for the year ended 31 March 2011, the accounting principles and practices adopted and discussed auditing, internal controls and financial reporting matters.

# Corporate Governance Report

## Remuneration Committee

The Remuneration Committee is responsible for reviewing the remuneration structure and policy of the executive directors and for fixing the remuneration packages for all Directors, in order to retain or attract the competent.

The Remuneration Committee comprises three independent non-executive directors, namely Ms. TSUI Pui Man, the Chairman of the Remuneration Committee, Mr. CHAU On Ta Yuen and Mr. LAW Tze Lun, and one executive director, Mr. CHONG Wa Pan, who is responsible for the human resource management of the Group.

The major duties of Remuneration Committee are as follows:

(i) To establish transparent and fair procedure for developing policy on the remuneration of Directors and senior management.

(ii) To review and determine the specific remuneration packages of all executive directors and senior management, including terms of service agreements, the type and form and amount of remuneration, and make recommendations to the Board for the remuneration of non-executive directors.

(iii) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board.

(iv) To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

(v) To prepare Remuneration Committee report annually, and review the compliance of directors' remuneration disclosure in the Company's annual report.

(vi) To ensure that no director or any of his associates is involved in deciding his own remuneration.

The remuneration of the Directors and senior management are determined with reference to the Group's operating results, individual performance, qualification and competence and the prevailing market condition.

During the year, one meeting was held by the Remuneration Committee to review and determine the remuneration of all executive directors and senior management for the 2010/11 fiscal year and their performance-based remuneration and bonus with reference to corporate goals and objective resolved by the Board. All committee members attended the meeting.

## Nomination Committee

The Company established the Nomination Committee in compliance with the recommended best practices of the Code. The committee consists of three independent non-executive directors namely Ms. TSUI Pui Man, the Chairman of the Nomination Committee, Mr. CHAU On Ta Yuen, Mr. LAW Tze Lun and one executive director, namely Mr. CHONG Wa Pan.

# Corporate Governance Report

## Nomination Committee (Continued)

The major duties of Nomination Committee are as follows:

(i) To review the structure, size and composition of the Board on a regular basis and select or make recommendations to the Board regarding any proposed changes.

(ii) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships.

(iii) To assess the independence of the independent non-executive directors.

(iv) To formulate a formal and transparent nomination procedure, and make recommendations to the Board on the appointment of directors and management of the Board's succession.

During the year, no meeting was held by the Nomination Committee regarding any proposed change.

## Executive Committee

The Company has set up an Executive Committee which determines the Group's strategy, reviews business performances and monitors management's performance. At 31 March 2011, the Executive Committee consists of four executive directors namely Mr. CHONG Kam Chau, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam. Meetings are held regularly with senior management to review the operation performance.

## Directors' responsibility for the consolidated financial statements

The Directors acknowledge their responsibility for preparation of the consolidated financial statements which give a true and fair view of the state of the Group's affairs, results and cashflow for the year ended 31 March 2011.

In preparing the consolidated financial statements, supported by the finance department of the Group, the Directors have:

(i) reviewed the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

(ii) selected suitable accounting policies and applied them on consistent basis;

(iii) made judgments and estimates that are prudent, fair and reasonable; and

(iv) prepared the consolidated financial statements on a going concern basis.

The Board is also responsible for presenting a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosure of the Group required under the Listing Rules and other statutory requirements.

The Board has received sufficient explanation and information from the management, which enable the Board to make an informed assessment of consolidated financial statements and other information before approval.

# Corporate Governance Report

## External Auditor and auditor's remuneration

The Audit Committee reviews the letter from SHINEWING (HK) CPA Limited, the external auditor of the Company, confirming their independence, approves their appointment, discusses the scope of their audit and approves their fees.

SHINEWING (HK) CPA Limited has stated their reporting responsibilities in the independent auditor's report on the consolidated financial statements on page 44 of this annual report.

For the year ended 31 March 2011, the fee paid and payable to SHINEWING (HK) CPA Limited in respect of audit and audited related services amounted to approximately HK$0.9 million. No non-audit services fee was paid/payable to SHINEWING (HK) CPA Limited during the year.

The Audit Committee recommended the appointment and reappointment of SHINEWING (HK) CPA Limited for audit service.

## Internal Control

The Board has overall responsibilities for maintaining a sound and effective internal control and risk management system to safeguard the shareholders' investment and Company's assets, to maintain proper accounting records, to enhance the integrity and reliability of financial information and to ensure the compliance with applicable laws and regulations.

Regarding to the procedures and internal control for the handling and dissemination of price sensitive information, the Company is aware of its disclosure obligations under the Listing Rules, which any information is expected to be price-sensitive should be announced immediately when it is the subject of a decision.

The Company's internal control and risk management system includes the following major components and practices:

(i) a clear organisational structure with appropriate division of responsibilities, delegated authority and reporting mechanism;

(ii) stringent policies and procedures for the employees' implementation, included senior management and Directors, regarding to any business operations exposed to significant or considerable risk level;

(iii) business plan and annual budget are prepared for each business section and subject to the approval of Executive Committee. In preparing the business plan and annual budget, the management for each business section shall evaluate the expected risk and report to the Board on any findings;

(iv) management reports are prepared on a monthly basis to compare with the forecasted results and the key performance indicators in enabling the quick response to variances and identified risks.

The Company has appointed a legal adviser to assist the Board to review the compliance of the Listing Rules. In addition, a supervisor is appointed to oversee the compliance of PRC corporate laws and other regulations for the subsidiaries in the PRC.

The policies and procedures of the internal control and risk management system are designed to provide a reasonable assurance against material misstatement or loss, and to manage and minimise the risk of the Group's operation. During the year under review, the Audit Committee and the Board considered the policies and procedures of internal control and risk management system are effective and adequate and will conduct ongoing review on the effectiveness of the system.

# Corporate Governance Report

## Communication with shareholders

The Directors acknowledge that they are entrusted to manage the Company on behalf of the shareholders and they are responsible to the shareholders for the operation and performance of the Company, therefore timely communication with shareholders is indispensable for the Company to present the latest business development to them and obtain their opinions.

All shareholders are encouraged to attend the general meetings of the Company to raise comments and exchange views with the Board. The Chairman of the Board and the chairmen of the Board Committees, or the members of the Committees or failing this duly appointed delegates, will attend the meetings to answer questions at the meeting.

The Company will use a range of communication tools to ensure the shareholders are kept well informed including general meeting, annual report, various notices, announcements and circulars. To promote effective communication, the Company maintains a website at www.comesure.com to post the up-to-date information on the Group's latest business development, financial information and other relevant information for public access.

The annual general meeting of the Company will be scheduled on 23 August 2011. Details of the meeting and necessary information on issues to be considered in the annual general meeting will be despatched to shareholders of the Company at least 20 clear business days in advance in accordance with the Listing Rules.

## Shareholders' right

The Board and the management of the Group endeavored to ensure all the shareholders are treated equally and have their deserved rights.

To ensure the rights of all shareholders, separate resolutions are proposed at the general meeting on each substantial issue, including but not limited to connected transactions, substantial acquisitions and election of individual directors.

Extraordinary general meeting ("EGM") shall be convened on the requisition of one or more shareholders holdings, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meeting. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition.

Any shareholder may appoint a proxy or representative to attend the general meeting, and they are entitled to exercise the same voting right in the meeting.

The convent and holding of general meeting and information distribute to shareholders are strictly pursuant to the relevant regulations.

## Going Concern

The Board considered that there are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

# Directors and Senior Management

## Directors

### Executive Directors

**Mr. CHONG Kam Chau (莊金洲先生) ("Mr. CHONG")**, aged 64, the founder and the Chairman and is responsible for the strategic planning and overall development of the Group. Mr. CHONG is a director of Central Dragon Limited, Central Master Limited, Come Sure Development Limited, Come Sure Holdings Limited, Come Sure Packing Products (Shenzhen) Company Limited, Grand View Enterprises Group Limited, Jumbo Match Limited and Wah Ming International Limited (all of which are subsidiaries of the Company). Mr. CHONG is also the sole director of Perfect Group Version Limited (the controlling shareholder of the Company). He is a standing committee member of the Political Consultative Conference of Shanxi Province (山西省政協常務委員), a director of China Poverty Alleviation and Development Association (中國扶貧開發協會理事), the Vice-President of Shanxi Association of Overseas Liaison (山西省海外聯誼會副會長), the director of the Hong Kong Chinese People's Political Consultative Conference (Provincial) Members Association (港區省級政協委員聯誼會常務理事), and the Permanent Honorary President of the Eastern District Industries & Commerce Association (香港東區工商業聯會永遠名譽會長). Mr. CHONG is a part time professor of Shanxi University of Finance and Economics (山西財經大學). Mr. CHONG was the 16th and 17th term committee member, the vice chairman of the 18th term of The Hong Kong Corrugated Paper Manufacturers' Association (HKCPMA). Mr. CHONG has been responsible for overseeing the Group's development strategy and financial performance, procurement and sales, marketing of the Group, making him have over 20 years experience in the operation and management of companies engaging in manufacturing and/or trading of corrugated paper products in Hong Kong and the PRC. Mr. CHONG is the father of Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam, all of whom are executive directors. Ms. CHAN Po Chai, one of the senior management of the Group, is the elder sister of Ms. CHAN Po Ting, the spouse of Mr. CHONG.

**Mr. CHONG Wa Pan (莊華彬先生)**, aged 38, is the eldest son of Mr. CHONG, the elder brother of Mr. CHONG Wa Ching and Mr. CHONG Wa Lam, all of whom are executive Directors and the nephew of Ms. CHAN Po Chai, the elder sister of Ms. CHAN Po Ting, who is the spouse of Mr. CHONG, and is the Managing Director of the Group. He joined the Group in December 1991 and is responsible for the Group's overall management. Mr. CHONG Wa Pan is a director of Central Dragon Limited, Central Master Limited, Cheer Power (China) Limited, Come Sure Development Limited, Come Sure Holdings Limited, Come Sure Packing Products (Shenzhen) Company Limited, Huizhou Come Sure Packing Products Company Limited, Jiangxi Come Sure Packing Products Company Limited and Wah Ming Color Printing (Shenzhen) Company Limited (all of which are subsidiaries of the Company). Mr. CHONG Wa Pan obtained a post-graduate certificate in June 2002 and a professional certificate in March 2006 both in Enterprise Management from Shanxi University of Finance and Economics (山西財經大學). Mr. CHONG Wa Pan is a member of the Political Consultative Conference of Jiangxi Province (江西省政協委員), the honorary-president of Shanxi Province Taiyuan City Association of Overseas Liaison (山西省太原市海外聯誼會名譽會長), an executive director of the Shanxi Association of Overseas Liaison (山西省海外聯誼會常務理事), a director of the Jiangxi Association of Overseas Liaison (江西省海外聯誼會理事), an executive director of Neimenggu Association of Overseas Liaison (內蒙古海外聯誼會常務理事), and the vice president of the Eastern District Industries & Commerce Association (香港東區工商業聯會副會長). Mr. CHONG Wa Pan has over 15 years' experience in the daily operation of the Group and sales and marketing of corrugated paper products in Hong Kong and the PRC, which are gained within the Group.

**Mr. CHONG Wa Ching (莊華清先生)**, aged 33, is the second son of Mr. CHONG, the elder brother of Mr. CHONG Wa Lam, the younger brother of Mr. CHONG Wan Pan, all of whom are executive Directors and the nephew of Ms. CHAN Po Chai, the elder sister of Ms. CHAN Po Ting, who is the spouse of Mr. CHONG. Mr. CHONG Wa Ching is a director of Century Shiny Investment Limited, Cheer Fame Asia Limited, Fully Chance Holdings Limited, Huizhou Come Sure Packing Products Company Limited and Turbo Best Holdings Limited (all of which are subsidiaries of the Company). He joined the Group in August 2000 and is responsible for the strategic planning and control of the procurement and logistic activities of the Group, management of capital market operations, and investors' relationship. Mr. CHONG Wa Ching holds a Bachelor's degree in Business (Information Technology) from Swinburne University of Technology in Australia and a Master's Degree in Business from The University of Newcastle via distance learning. Mr. CHONG Wa Ching was a director of Yan Chai Hospital of the 36th and 37th term (2003–2005) board of directors and is a honorary director of Yan Chai Hospital.

# Directors and Senior Management

## Directors (Continued)

### Executive Directors (Continued)

**Mr. CHONG Wa Lam (莊華琳先生)**, aged 32, is the youngest son of Mr. CHONG, the younger brother of Mr. CHONG Wa Pan, and Mr. CHONG Wa Ching, all of whom are executive Directors and the nephew of Ms. CHAN Po Chai, the elder sister of Ms. CHAN Po Ting, who is the spouse of Mr. CHONG. Mr. CHONG Wa Lam is a director of Come Sure Packing Products (Quanzhou) Company Limited, Fully Chance Holdings Limited, Huizhou Come Sure Packing Products Company Limited, Jiangxi Come Sure Packing Products Company Limited, Joy Honest Holdings Limited, Mass Winner Holdings Limited, Rising Sun Paper (Jiangxi) Company Limited, Speedy Concept Development Limited, Turbo Best Holdings Limited and Wah Ming Colour Printing (Shenzhen) Company Limited (all of which are subsidiaries of the Company). He joined the Group in April 2002 and is responsible for the Group's sales and marketing activities including sales and product development of the Group, and the management of new investment projects. Mr. CHONG Wa Lam obtained a postgraduate certificate in June 2002 and a professional certificate in March 2006 both in Enterprise Management from Shanxi University of Finance and Economics (山西財經大學). He is a member of the Political Consultative Conference of Nanchang City Jiangxi Province (江西省南昌市政協委員), a director of the Shanxi Association of Overseas Liaison (山西省海外聯誼會理事), a vice chairman of Guangdong Huidong Association of Foreign Investment Enterprises (廣東惠東外商企業投資協會副會長) and a vice president of the Hong Kong Corrugated Paper Manufactures' Association.

### Independent Non-executive Directors

**Mr. CHAU On Ta Yuen (周安達源先生)**, aged 63, was appointed as an independent non-executive director on 5 February 2009. He graduated from Xiamen University, majoring in Chinese language and literature. Mr. CHAU is currently the chairman of the board of directors of China Ocean Shipbuilding Industry Group Limited (formerly known as Wonson International Holdings Limited) and the independent non-executive director of Good Fellow Resources Holdings Limited (formerly known as Wonderful World Holdings Limited). On 17 December 2010, Mr. CHAU is appointed as an independent non-executive director of Sumpo Food Holdings Limited. All of the above companies are listed on the Main Board. During the period from 5 June 2003 to 20 August 2009 and from 1 December 2008 to 27 September 2010, Mr. CHAU had been an independent non-executive director of Hao Wen Holdings Limited (formerly known as Everpride Biopharmaceutical Company Limited) and Buildmore International Limited, which are listed on GEM board and Main Board respectively. He is currently the President of Wealthy Sea Group (H.K.) Limited. He is a member of the Chinese People's Political Consultative Conference of the PRC (全國政協委員) and the vice chairman of Hong Kong Federation of Fujian Associations (香港福建社團聯會副主席). On 1 July 2010, Mr. CHAU is awarded with a Bronze Bauhinia Star (BBS) by the Government of HKSAR.

**Ms. TSUI Pui Man (徐珮文女士)**, aged 54, was appointed as an independent non-executive director on 5 February 2009. She is a practising lawyer in Hong Kong. Ms. TSUI holds a Bachelor's degree in Arts and a Bachelor's degree in Law from the University of Hong Kong. Ms. TSUI is a qualified solicitor in Hong Kong (admitted in 1988), England and Wales, Australia and Singapore. She is also a Notary Public and a China-Appointed Attesting Officer. Ms. TSUI was a member of Disciplinary Panel of Hong Kong Certified Public Accountants. She is a member of Political Consultative Conference of Shanxi Province (山西省政協委員) and a council member of Association for the Promotion of Peaceful National Reunification of China (中國和平統一促進會理事).

**Mr. LAW Tze Lun (羅子璘先生)**, aged 38, was appointed as an independent non-executive director on 5 February 2009. He is a Practising Certified Public Accountant in Hong Kong and is a director of ANSA CPA Limited. Mr. LAW holds a Bachelor of Commerce (Accounting) from the Curtin University of Technology via distance learning. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. Mr. LAW has over 18 years of experience in auditing, accounting and finance gained from various accounting firms in Hong Kong.

Mr. LAW Tze Lun became an independent non-executive director of China Automotive Interior Decoration Holdings Limited, which is listed on the GEM Board, and Gemini Investment (Holdings) Limited (formerly named Gemini Property Investments Limited and Kee Shing (Holdings) Limited), which is listed on the Main Board, with effect from 12 April 2010 and 12 November 2010, respectively.

# Directors and Senior Management

## Senior Management

**Mr. YEOH Keng Gut**, aged 42, is the plant manager of Come Sure Packing Products (Shenzhen) Company Limited. He joined the Group in June 2007 and is responsible for overall plants operation of Come Sure Shenzhen. He holds a Bachelor's degree in Applied Science (Engineering) from University of Toronto in Canada. Mr. YEOH has more than 14 years experience in the packaging industry involved in engineering, production, planning and customer services gained in Malaysia and China.

**Ms. LAU Yin Chuen (劉燕邨女士)**, aged 57, is the group customer service manager of the Group. She joined the Group in March 2000 and is responsible for the overall pricing strategy and cost control of the Group. Ms. LAU holds a Diploma in Economics from the Beijing Institute of Commerce (北京商學院) now known as Beijing Technology and Business University (北京工商大學) in Beijing, the PRC. Before joining the Group, Ms. LAU has over 14 years of experience in finance and accounting of which approximately four years gained from a company which involved in the manufacturing and/or trading of electronic consumer products.

**Mr. CHONG Wa Nam (莊華楠先生)**, aged 40, is the supervisor (監事) of Come Sure Packing Products (Shenzhen) Company Limited and director of Huizhou Come Sure Packing Company Limited (all of which are subsidiaries of the Company). Mr. CHONG Wa Nam joined the Group since 1992 and is responsible for monitoring the management and operations of Come Sure Packing Products (Shenzhen) Company Limited to ensure the Group is in compliance with the PRC company laws and other legal regulations. Mr. CHONG Wa Nam holds a professional certificate in Enterprise Management from Shanxi University of Finance and Economics (山西財經大學). Mr. CHONG Wa Nam has more than 17 years of experience in the packaging industry involved in production, logistics, customer services and administration gained within the Group.

**Ms. CHAN Po Chai (陳寶釵女士)**, aged 62, the elder sister of Ms. CHAN Po Ting, the spouse of Mr. CHONG Kam Chau, is the administration manager of the Group and the director of Luck Sea Investment Limited and Come Sure Group Limited — Macao Commercial Offshore (all of which are subsidiaries of the Company). She joined the Group in 1990 and is responsible for the administration and customer services. Ms. CHAN has more than 20 years of experience in the packaging industry involved in logistic, credit control and customer services gained within the Group.

## Company secretary

**Mr. HUNG Man Yuk, Dicson**, *CPA*

Mr. HUNG, aged 35, was appointed as the company secretary of the Company with effect from 1 July 2010. Mr. HUNG is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of United Kingdom. Mr. HUNG obtained a master degree in finance from Curtin University of Technology in Australia in 2002. Mr. HUNG has over 12 years of experience in Corporate Finance and Financial Management.

# Directors' Report

The Directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2011.

## Principal activities

The Company acts as an investment holding company. The activities of its principal subsidiaries, are set out in note 38 to the consolidated financial statements.

## Results and appropriations

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement on page 46.

No interim dividend was paid during the year (2010: Nil). The Directors now recommend the payment of a final dividend of HK1.9 cents per share for the year ended 31 March 2011, amounting to approximately HK$6.2 million (2010: HK$8.2 million) in total, and the retention of the remaining profit for the year of approximately HK$9.8 million. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting. The record date for entitlement to the proposed final dividend is 31 August 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 29 August 2011 to Wednesday, 31 August 2011 and no transfer of shares will be effected on such date. In order to qualify for the proposed final dividend, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 26 August 2011. It is expected that the final dividend will be paid on or around Wednesday, 14 September 2011.

## Closure of register of members

The Annual General Meeting of the Company is scheduled on Tuesday, 23 August 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 19 August 2011 to Tuesday, 23 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 18 August 2011.

## Fixed assets

During the year, the Group has acquired HK$83.5 million property, plant and equipment, in which HK$44.8 million represented regular replacement and upgrading of production facilities and HK$38.7 million represented the property, plant and equipment acquired through acquisition of a subsidiary.

Details of these and others movements during the year in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements respectively.

As of 31 March 2011, the Group has paid HK$19.0 million (2010: nil) and HK$17.4 million (2010: HK$0.8 million) as the deposits for the acquisition of prepaid land lease and property, plant and equipment respectively.

## Share capital

Details of the movements during the year in the share capital of the Company are set out in note 27 to the financial statements.

# Directors' Report

## Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 March 2011 amounted to approximately HK$301.1 million (2010: HK$294.8 million).

Details of the movements in the reserves of the Group and the Company during the year are set out in page 50 and note 39(d) to the consolidated financial statements respectively.

## Purchase, Sales or Redemption of Company's Listed Securities

During the year, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities save as disclosed below.

On 20 May 2010, the Company issued 6,800,000 ordinary Shares as part of the consideration to acquire the 56.05% equity interest in Fully Chance. For details, please refer to the section headed "Significant Investment Held and Material Acquisition and Disposal" in Management Discussion and Analysis and note 32 to the consolidated financial statement.

## Directors

The Directors of the Company during the year and up to the date of this report were:

### Executives Directors

Mr. CHONG Kam Chau
Mr. CHONG Wa Pan
Mr. YIU Ho Chi, Stephen (resigned on 1 July 2010)
Mr. CHONG Wa Ching
Mr. CHONG Wa Lam

### Independent Non-executive Directors

Mr. CHAU On Ta Yuen
Ms. TSUI Pui Man
Mr. LAW Tze Lun

In accordance with the provisions of the Company's Articles of Association, Mr. CHONG Wa Ching, Mr. CHONG Wa Lam and Mr. LAW Tze Lun will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2011 are set out in notes 24 and 25 to the consolidated financial statements.

## Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on pages 4 to 5 of the annual report.

# Directors' Report

## Retirement benefits schemes

Particulars of the Group's retirement benefits schemes are set out in note 31 to the consolidated financial statements.

## Management contracts

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

## Directors' and chief executive's interests and short positions in shares

As at 31 March 2011, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions in the shares

| Name | Capacity/Nature | Number of shares | Percentage of issued shares |
|---|---|---|---|
| Mr. CHONG Kam Chau (Notes 1 & 2) | Interest of a controlled corporation; founder and beneficiary of a discretionary trust | 213,830,000 | 65.03% |
| | Beneficial owner | 1,700,000 (Note) | 0.52% |
| Mr. CHONG Wa Pan (Notes 1 & 3) | Beneficiary of a discretionary trust | 213,830,000 | 65.03% |
| | Beneficial owner | 1,200,000 (Note) | 0.36% |
| Mr. CHONG Wa Ching (Notes 1 & 3) | Beneficiary of a discretionary trust | 213,830,000 | 65.03% |
| | Beneficial owner | 600,000 (Note) | 0.18% |
| Mr. CHONG Wa Lam (Notes 1 & 3) | Beneficiary of a discretionary trust | 213,830,000 | 65.03% |
| | Beneficial owner | 600,000 (Note) | 0.18% |
| Mr. CHAU On Ta Yuen | Beneficial owner | 500,000 (Note) | 0.15% |
| Ms. TSUI Pui Man | Beneficial owner | 500,000 (Note) | 0.15% |
| Mr. LAW Tze Lun | Beneficial owner | 500,000 (Note) | 0.15% |

Note:

These long positions represent the share options held by the respective directors.

# Directors' Report

## Directors' and chief executive's interests and short positions in shares (Continued)

### Long positions in the ordinary shares of associated corporation

| Name | Name of associated corporation | Capacity/Nature | Number of securities | Percentage of shareholding |
|---|---|---|---|---|
| Mr. CHONG Kam Chau (Notes 1 & 2) | Perfect Group Version Limited | Interest of a controlled corporation; founder and beneficiary of a discretionary trust | 10,000 ordinary shares | 100% |
| Mr. CHONG Wa Pan (Notes 1 & 3) | Perfect Group Version Limited | Beneficiary of a discretionary trust | 10,000 ordinary shares | 100% |
| Mr. CHONG Wa Ching (Notes 1 & 3) | Perfect Group Version Limited | Beneficiary of a discretionary trust | 10,000 ordinary shares | 100% |
| Mr. CHONG Wa Lam (Notes 1 & 3) | Perfect Group Version Limited | Beneficiary of a discretionary trust | 10,000 ordinary shares | 100% |

Notes:

1. The entire issued shares of Perfect Group Version Limited are held by Jade City Assets Limited, which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG Kam Chau as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG Kam Chau, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam and the issues of Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam.

2. Mr. CHONG Kam Chau is the founder and an executive Director and the Chairman of the Board. Mr. CHONG Kam Chau is the sole director of Perfect Group Version Limited and therefore Mr. CHONG Kam Chau is deemed or taken to be interested in the entire issued shares of Perfect Group Version Limited and the 213,830,000 Shares beneficially owned by Perfect Group for the purposes of the SFO. Mr. CHONG Kam Chau as settlor and a beneficiary of the CHONG Family Trust is also deemed or taken to be interested in all the Shares held by Perfect Group Version Limited under the SFO.

3. Mr. CHONG Wa Pan, the Chief Executive Officer and the President of the Group, together with Mr. CHONG Wa Ching and Mr. CHONG Wa Lam, as executive directors and beneficiaries and the issues of Mr. CHONG Wa Pan, namely, Mr. CHONG Kam Hung, Mr. CHONG Kam Shing and Ms. CHONG Sum Yee as beneficiaries of the CHONG Family Trust, are deemed or taken to be interested in entire issued shares of Perfect Group Version Limited and the 213,830,000 Shares held by Perfect Group Version Limited under the SFO.

Save as disclosed above, none of the Directors or chief executive, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2011.

# Directors' Report

## Substantial shareholders

As at 31 March 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions in the shares

| Name | Capacity/Nature | Number of shares | Percentage of issued shares |
|---|---|---|---|
| Perfect Group Version Limited (Note 1) | Beneficial owner | 213,830,000 | 65.03% |
| Jade City Assets Limited (Note 2) | Interest of controlled corporation | 213,830,000 | 65.03% |
| HSBC International Trustee Limited (Note 2) | Trustee | 213,830,000 | 65.03% |
| Ms. CHAN Po Ting (Note 3) | Family interests; Beneficiary of a discretionary trust | 215,530,000 | 65.55% |
| Ms. HUNG Shan Shan (Note 4) | Family interests | 215,030,000 | 65.40% |
| Mr. CHONG Kam Hung (Note 1) | Beneficiary of a discretionary trust | 213,830,000 | 65.03% |
| Mr. CHONG Kam Shing (Note 1) | Beneficiary of a discretionary trust | 213,830,000 | 65.03% |
| Ms. CHONG Sum Yee (Note 1) | Beneficiary of a discretionary trust | 213,830,000 | 65.03% |

Notes:

1. The entire issued shares of Perfect Group Version Limited are held by Jade City Assets Limited, which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG Kam Chau as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG Kam Chau, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam and the issues of Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam. Mr. CHONG Kam Hung, Mr. CHONG Kam Shing and Ms. CHONG Sum Yee are issues of Mr. CHONG Wa Pan.

2. Such Shares are held by Perfect Group Version Limited, the entire issued shares of which are held by Jade City Assets Limited. The entire issued capital of Jade City Assets Limited is held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust.

3. Ms. CHAN Po Ting, the spouse of Mr. CHONG Kam Chau and one of the beneficiaries of the CHONG Family Trust, is deemed or taken to be interested in the interests held by Mr. CHONG Kam Chau and Perfect Group Version Limited under the SFO.

4. Ms. HUNG Shan Shan, is the spouse of Mr. CHONG Wa Pan, and Mr. CHONG Kam Hung, Mr. CHONG Kam Shing and Ms. CHONG Sum Yee are children under 18 of Ms. HUNG Shan Shan. Therefore, Ms. HUNG Shan Shan is deemed or taken to be interested in the interests held by Mr. CHONG Wa Pan, Mr. CHONG Kam Hung, Mr. CHONG Kam Shing and Ms. CHONG Sum Yee under the SFO.

# Directors' Report

## Arrangements to purchase shares or debentures

At no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition shares in, or debentures of, the Company or any other body corporate.

## Directors' and controlling shareholders' interests in contracts of significance

No contract of significance to which the Company, or its subsidiaries was a party and in which the controlling shareholder or a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Connected transactions

### Provision of transportation services by Wan Tai Shun Enterprises Development Company Limited ("Wan Tai Shun") to the Group

An agreement was entered into by Come Sure Packing Products (Shenzhen) Company Limited ("Come Sure Shenzhen") and Wan Tai Shun on 30 September 2008 in relation to the provision of transportation services by Wan Tai Shun to Come Sure Shenzhen commencing from the date of the agreement to 31 March 2011. The Group selects transportation service providers principally based on service quality and price. Mr. ZHUANG Yong Shun the beneficial owner of Wan Tai Shun is nephew of Mr. CHONG Kam Chau and therefore, is a connected person of the Company within the meaning of Chapter 14A of the Listing Rules.

The provision of transportation services by Wan Tai Shun constituted a non-exempt continuing connected transaction for the Company for the purposes of the Listing Rules. The Directors and the independent non-executive directors, were of the opinion that the non-exempt continuing connected transaction described above has been conducted, and will be carried out, in the ordinary and usual course of business of the Group and on normal commercial terms, the Annual Caps are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

As the non-exempt connected transaction described above is entered into in the ordinary course of business on a continuing basis, the Directors consider that disclosure and approval of them in full compliance with the Listing Rules each time when such connected transaction is entered into would be impractical and unduly onerous. The Company has applied to the Stock Exchange, and the Stock Exchange has granted, pursuant to Rule 14A.42(3) of the Listing Rules, a waiver from strict compliance with the announcement and independent shareholders' approval requirements relating to continuing connected transaction under the Listing Rules, subject to the aggregate value of transportation services to be provided by Wan Tai Shun for each of the three years ending 31 March 2011 does not exceed HK$9 million, HK$10.5 million and HK$12 million respectively.

# Directors' Report

## Connected transactions (Continued)

### Disposal of Bright Leader Holdings Limited and lease agreements entered with Bright Leader Trading (Shenzhen) Company Limited ("Bright Leader Shenzhen")

To realise the value of the properties held by Bright Leader Shenzhen and to provide further working capital and investment fund for the Group, on 17 August 2009, Jumbo Match Limited ("Jumbo Match") (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with April Lion King Limited ("April Lion King"), which is wholly-owned by Mr. CHONG Kam Chau, Chairman of the Company, for the disposal of the entire issued shares of Bright Leader Holdings Limited ("Bright Leader Holdings") for a consideration of approximately HK$15.3 million. The said disposal was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 25 September 2009. Upon Completion, Bright Leader Holdings and its wholly-owned subsidiary, Bright Leader Shenzhen, had ceased to be the subsidiaries of the Company. Furthermore, both companies became a connected person of the Company and the lease agreements (the "Lease Contracts") between Bright Leader Shenzhen as lessor and the Group as lessee and signed on 30 September 2009 in relation to the First Production Plant, which replaced the existing leases and provide smooth continuance in operation of the First Production Plant, constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant size ratios are less than 2.5% (other than profits ratio), the Lease Contracts are only subject to the reporting and announcement requirement and are exempt from the independent shareholders' approval requirements under the Listing Rules. The annual transaction caps under the Lease Contracts for the 4 years ending 31 March 2013 are RMB817,872, RMB1,635,744, RMB1,635,744 and RMB817,872 respectively.

### Master Materials Purchase Agreement

On 29 July 2010, Nine Dragons and the Company has entered into a master materials purchase agreement ("Master Materials Purchase Agreement") in relation to the purchase of raw paper materials by the Group from Nine Dragons for a period commencing from 22 October 2010 to 31 March 2013. The annual aggregate transaction amounts in respect of the purchase of raw paper materials by the Group from the Nine Dragons under the Master Materials Purchase Agreement or the separate sale and purchase agreements between the Nine Dragons and the Group for each of the periods from 22 October 2010 to 31 March 2011 and the two financial years of the Company ending on 31 March 2012 and 31 March 2013 shall be capped at and not exceed RMB200,000,000, RMB400,000,000 and RMB500,000,000 respectively.

As each of the percentage ratios (other than the profits ratio) for the aggregate caps of the transactions contemplated under the Master Materials Purchase Agreement for each of the periods from 22 October 2010 to 31 March 2011 and the two financial years of the Company ending on 31 March 2012 and 31 March 2013 of RMB200,000,000, RMB400,000,000 and RMB500,000,000 is on an annual basis more than 25%, the transactions contemplated under the Master Materials Purchase Agreement do not fall under the exemptions in Rules 14A.33 and 14A.34 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The above continuing connected transaction and the annual caps contemplated under the Master Materials Purchase Agreement were approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 6 September 2010. For details, please refer to the announcements of the Company dated 29 July 2010 and 6 September 2010, and the circular of the Company dated 19 August 2010.

## Connected transactions (Continued)

Pursuant to the Listing Rules, if the amount of the transportation fees to Wan Tai Shun, the rental charges to Bright Leader Shenzhen and/or the transactions under the Master Materials Purchase Agreement with Nine Dragons exceeds the Annual Caps, or if the agreement between the Group and Wan Tai Shun and/or Bright Leader Shenzhen and/or Nine Dragons is renewed or if there is a material change to the terms of such agreement, the Company must comply with the announcement, reporting and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules as applicable.

The amount paid by the Group to the connected persons and the percentage of relevant expenses are as follows:

| Name of connected person | Nature of transactions | 2011 Amount | 2011 % | 2010 Amount | 2010 % |
|---|---|---|---|---|---|
| Wan Tai Shun | Transportation fees | **HK$2.1 million** | **7.1%** | HK$4.4 million | 25.5% |
| Bright Leader Shenzhen | Rental | **RMB1,635,744** | **10.6%** | RMB817,872 | 6.1% |
| Nine Dragons | Purchase of raw paper (from 22 October 2010 to 31 March 2011) | **RMB94,133,649** | **24.2%** | – | – |

The independent non-executive directors have reviewed the above continuing connected transactions. In their opinion, such transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;

(iii) in accordance with relevant agreements governing such transactions; and

(iv) on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The auditors of the Company has confirmed to the Board on matters stated in Rule 14A.38 of the Listing Rules in relation to the above continuing connected transactions.

Save as the transactions disclosed above and in the section headed "Significant Investment Held and Material Acquisition and Disposal", the Directors consider that those material related party transactions disclosed in note 37 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

## Independent non-executive directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

# Directors' Report

## Emolument policy

The emolument policy for the senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to similar prevailing market condition.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

## Share Option Scheme

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme'') on 5 February 2009 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the ''Shares'') to, inter alia, any employees (full-time or part-time), directors, consultants and advisers or any substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 26 February 2009 and shall be valid and effective for a period of ten years commencing on 5 February 2009, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue on the listing date of the Company. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

As at the date of this report, options to subscribe for a total of 27,000,000 option Shares were still outstanding under the Scheme which represents approximately 8.21% of the issued share capital of the Company. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

On 6 January 2010, according to the terms of the Scheme, the Company has granted 8,400,000 share options (5,700,000 share options of which were granted to the Directors) to certain eligible participants including certain Directors and employees at an exercise price of HK$1.18 per share and the consideration for each of the grant was HK$1. The share options granted pursuant to the Scheme will be exercisable from 6 January 2011 and expiring on 5 January 2020. Particulars of the share options granted under the Scheme were set forth in the announcement of the Company dated 6 January 2010.

## Directors' Report

### Share Option Scheme (Continued)

On 17 May 2010, according to the terms of the Scheme, the Company has granted 19,600,000 share options (900,000 share options of which were granted to the Directors) to certain eligible participants including certain Directors and employees at an exercise price of HK$1.05 per share. The consideration for each of the grant was HK$1. The share options granted pursuant to the Scheme will be exercisable from the 180th day after the date of acceptance of the share options by the Grantees and expiring on 16 May 2020. Particulars of the share options granted under the Scheme were set forth in the announcement of the Company dated 17 May 2010.

Details of the share options outstanding as at 31 March 2011 under the Scheme are as follows:

| Name or category of grantees | Date of grant | Exercisable period | Exercise price (HK$) (Note 1) | Share options held on 1 April 2010 | Share options granted during the year | Share options exercised during the year | Share options lapsed during the year | Share options held on 31 March 2011 |
|---|---|---|---|---|---|---|---|---|
| **Executive directors of the Company** | | | | | | | | |
| Mr. CHONG Kam Chau | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 680,000 | – | – | – | 680,000 |
| | 6 January 2010 | 6 January 2012 to 5 January 2020 | 1.18 | 510,000 | – | – | – | 510,000 |
| | 6 January 2010 | 6 January 2013 to 5 January 2020 | 1.18 | 510,000 | – | – | – | 510,000 |
| | | | | 1,700,000 | – | – | – | 1,700,000 |
| Mr. CHONG Wa Pan | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 480,000 | – | – | – | 480,000 |
| | 6 January 2010 | 6 January 2012 to 5 January 2020 | 1.18 | 360,000 | – | – | – | 360,000 |
| | 6 January 2010 | 6 January 2013 to 5 January 2020 | 1.18 | 360,000 | – | – | – | 360,000 |
| | | | | 1,200,000 | – | – | – | 1,200,000 |
| Mr. YIU Ho Chi | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 400,000 | – | – | (400,000) | – |
| (Note 2) | 6 January 2010 | 6 January 2012 to 5 January 2020 | 1.18 | 300,000 | – | – | (300,000) | – |
| | 6 January 2010 | 6 January 2013 to 5 January 2020 | 1.18 | 300,000 | – | – | (300,000) | – |
| | | | | 1,000,000 | – | – | (1,000,000) | – |
| Mr. CHONG Wa Ching | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 240,000 | – | – | – | 240,000 |
| | 6 January 2010 | 6 January 2012 to 5 January 2020 | 1.18 | 180,000 | – | – | – | 180,000 |
| | 6 January 2010 | 6 January 2013 to 5 January 2020 | 1.18 | 180,000 | – | – | – | 180,000 |
| | | | | 600,000 | – | – | – | 600,000 |
| Mr. CHONG Wa Lam | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 240,000 | – | – | – | 240,000 |
| | 6 January 2010 | 6 January 2012 to 5 January 2020 | 1.18 | 180,000 | – | – | – | 180,000 |
| | 6 January 2010 | 6 January 2013 to 5 January 2020 | 1.18 | 180,000 | – | – | – | 180,000 |
| | | | | 600,000 | – | – | – | 600,000 |

# Directors' Report

## Share Option Scheme (Continued)

| Name or category of grantees | Date of grant | Exercisable period | Exercise price (HK$) (Note 1) | Share options held on 1 April 2010 | Share options granted during the year | Share options exercised during the year | Share options lapsed during the year | Share options held on 31 March 2011 |
|---|---|---|---|---|---|---|---|---|
| **Independent non-executive directors of the Company** | | | | | | | | |
| Mr. CHAU On Ta Yuen | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 200,000 | – | – | – | 200,000 |
| | 17 May 2010 | 13 November 2010 to 16 May 2020 | 1.05 | – | 300,000 | – | – | 300,000 |
| | | | | 200,000 | 300,000 | – | – | 500,000 |
| Ms. TSUI Pui Man | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 200,000 | – | – | – | 200,000 |
| | 17 May 2010 | 13 November 2010 to 16 May 2020 | 1.05 | – | 300,000 | – | – | 300,000 |
| | | | | 200,000 | 300,000 | – | – | 500,000 |
| Mr. LAW Tze Lun | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 200,000 | – | – | – | 200,000 |
| | 17 May 2010 | 13 November 2010 to 16 May 2020 | 1.05 | – | 300,000 | – | – | 300,000 |
| | | | | 200,000 | 300,000 | – | – | 500,000 |
| **Seventeen other eligible participants of the Group** | | | | | | | | |
| | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 900,000 | – | – | – | 900,000 |
| | 6 January 2010 | 6 January 2012 to 5 January 2020 | 1.18 | 675,000 | – | – | – | 675,000 |
| | 6 January 2010 | 6 January 2013 to 5 January 2020 | 1.18 | 675,000 | – | – | – | 675,000 |
| | 17 May 2010 | 13 November 2010 to 16 May 2020 | 1.05 | – | 14,350,000 | – | – | 14,350,000 |
| | | | | 2,250,000 | 14,350,000 | – | – | 16,600,000 |
| **Three other eligible participants of the Group** | | | | | | | | |
| | 6 January 2010 | 6 January 2011 to 5 January 2020 | 1.18 | 450,000 | – | – | – | 450,000 |
| | 17 May 2010 | 13 November 2010 to 16 May 2020 | 1.05 | – | 4,350,000 | – | – | 4,350,000 |
| | | | | 450,000 | 4,350,000 | – | – | 4,800,000 |
| | | | | 8,400,000 | 19,600,000 | – | (1,000,000) | 27,000,000 |

Notes: 1. (a) The closing price of the shares of the Company on 5 January 2010 (the day immediately before the date of grant) was HK$1.18.

(b) The closing price of the shares of the Company on 16 May 2010 (the day immediately before the date of grant) was HK$1.05.

2. Mr. YIU Ho Chi has resigned as an executive Director, company secretary and authorized representative of the Company and his last working day was 30 June 2010. Pursuant to the Share Option Scheme of the Company, all options granted to Mr. YIU Ho Chi lapsed on the expiry of 3 months after the date of cessation of employment (i.e. 30 September 2010). For details of the resignation of Mr. YIU Ho Chi, please see the announcement of the Company dated 1 July 2010.

3. For details of the value of the options granted during the year ended 31 March 2011, please refer note 29 to the consolidated financial statements.

# Directors' Report

## Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Sufficiency of public float

As far as the Company is aware, more than 25% of the issued shares of the Company were held in public hands as of 31 March 2011.

## Charitable donations

During the year, the Group did not make any charitable donation (2010: Nil).

## Major customers and suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year under review is as follows:

| | Percentage of the group's total | |
|---|---|---|
| | Sales | Purchases |
| The largest customer | 5.93% | N.A. |
| Five largest customers in aggregate | 21.21% | N.A. |
| The largest supplier | N.A. | 41.84% |
| Five largest suppliers in aggregate | N.A. | 71.48% |

At no time during the year have the Directors, their associates or any shareholder of the company (who/which to the knowledge of the directors owns more than 5% of the company's share capital) had any interest in these major customers and suppliers.

## Events after the reporting period

No significant events occurring after the end of the reporting period.

## Auditor

The accounts for the year ended 31 March 2011 have been audited by SHINEWING (HK) CPA Limited which retires and, being eligible, offers itself for re-appointment at the forthcoming annual general meeting. A resolution will be submitted to the annual general meeting to appoint SHINEWING (HK) CPA Limited as auditor of the Company.

SHINEWING (HK) CPA Limited has been appointed as auditor of the Company in place of RSM Nelson Wheeler which resigned as the Company's auditor on 28 March 2011.

On behalf of the Board

**CHONG Kam Chau**
*Chairman*

28 June 2011

# Independent Auditor's Report

信永中和 ShineWing

**SHINEWING** (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
**COME SURE GROUP (HOLDINGS) LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Come Sure Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 120, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditor's Report

## Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Chan Wing Kit**
Practising Certificate Number: P03224
Hong Kong

28 June 2011

# Consolidated Income Statement

For the year ended 31 March 2011

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Turnover** | 7 | **697,640** | 478,436 |
| Cost of goods sold | | **(574,156)** | (393,290) |
| **Gross profit** | | **123,484** | 85,146 |
| Other income | 8 | **2,975** | 1,434 |
| Selling expenses | | **(28,928)** | (19,063) |
| Administrative expenses | | **(69,656)** | (54,087) |
| Other operating expenses | | **(352)** | (166) |
| Decrease in fair value of held for trading investments | | **(1,967)** | — |
| Share-based payments | | **(7,928)** | (474) |
| Profit from operations | | **17,628** | 12,790 |
| Gain on bargain purchase | 32 | **4,365** | — |
| Gain on disposal of subsidiaries | 33 | **—** | 15,989 |
| Finance costs | 9 | **(2,377)** | (896) |
| **Profit before tax** | | **19,616** | 27,883 |
| Income tax expense | 10 | **(3,613)** | (2,974) |
| **Profit for the year** | 11 | **16,003** | 24,909 |
| **Profit/(loss) for the year attributable to:** | | | |
| Owners of the Company | | **18,352** | 24,909 |
| Non-controlling interests | | **(2,349)** | — |
| | | **16,003** | 24,909 |
| **Earnings per share** | | | |
| Basic and diluted | 14 | **HK5.60 cents** | HK8.81 cents |

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Profit for the year** | 11 | **16,003** | 24,909 |
| **Other comprehensive income/(expense) after tax:** | | | |
| Exchange differences on translating foreign operations | | **11,654** | 6,166 |
| Exchange differences reclassified to profit or loss on disposal of subsidiaries | 33 | **–** | (1,231) |
| **Other comprehensive income for the year, net of tax** | | **11,654** | 4,935 |
| **Total comprehensive income** | | **27,657** | 29,844 |
| **Total comprehensive income/(expense) for the year attributable to:** | | | |
| Owners of the Company | | **29,602** | 29,844 |
| Non-controlling interests | | **(1,945)** | – |
| | | **27,657** | 29,844 |

# Consolidated Statement of Financial Position

At 31 March 2011

| | Note | 31/3/2011 HK$'000 | 31/3/2010 HK$'000 (Restated) | 1/4/2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Prepaid lease payments | 15 | **40,506** | 25,146 | 29,532 |
| Property, plant and equipment | 16 | **174,949** | 109,900 | 116,639 |
| Deposits paid for prepaid lease payments | | **19,012** | — | — |
| Deposits paid for acquisition of property, plant and equipment | | **17,373** | 785 | 403 |
| Investment properties | 17 | **420** | 420 | 420 |
| Club membership | | **366** | 366 | 366 |
| | | **252,626** | 136,617 | 147,360 |
| **Current assets** | | | | |
| Inventories | 18 | **74,401** | 75,014 | 50,881 |
| Trade receivables | 19 | **163,281** | 91,973 | 88,955 |
| Prepayments, deposits and other receivables | | **20,041** | 9,731 | 4,931 |
| Prepaid lease payments | 15 | **881** | 529 | 180 |
| Tax prepaid | | **3,427** | 1,462 | 932 |
| Held for trading investments | 20 | **7,877** | — | — |
| Pledged bank deposits | 21 | **15,711** | 25,467 | 39,610 |
| Bank and cash balances | 21 | **138,853** | 163,857 | 112,461 |
| | | **424,472** | 368,033 | 297,950 |
| **Current liabilities** | | | | |
| Trade and bills payables | 22 | **68,732** | 27,649 | 25,154 |
| Accruals and other payables | | **51,787** | 30,727 | 24,680 |
| Amounts due to non-controlling interests | 23 | **7,177** | — | — |
| Short-term bank borrowings | 24 | **49,238** | 26,975 | 37,075 |
| Current tax liabilities | | **359** | 262 | 351 |
| Current portion of long-term borrowings | 25 | **11,274** | 3,251 | 8,436 |
| | | **188,567** | 88,864 | 95,696 |
| **Net current assets** | | **235,905** | 279,169 | 202,254 |
| **Total assets less current liabilities** | | **488,531** | 415,786 | 349,614 |

# Consolidated Statement of Financial Position

At 31 March 2011

| | Note | **31/3/2011 HK$'000** | 31/3/2010 HK$'000 (Restated) | 1/4/2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Amounts due to non-controlling interests | 23 | **10,880** | — | — |
| Long-term borrowings | 25 | **1,979** | — | — |
| Deferred tax liabilities | 26 | **5,581** | 1,789 | 2,285 |
| | | **18,440** | 1,789 | 2,285 |
| **NET ASSETS** | | **470,091** | 413,997 | 347,329 |
| **Capital and reserves** | | | | |
| Share capital | 27 | **3,288** | 3,220 | 2,800 |
| Reserves | | **447,907** | 410,777 | 344,529 |
| Equity attributable to owners of the Company | | **451,195** | 413,997 | 347,329 |
| Non-controlling interests | | **18,896** | — | — |
| | | **470,091** | 413,997 | 347,329 |

The consolidated financial statements on pages 46 to 120 were approved and authorised for issue by the board of directors on 28 June 2011 and are signed on its behalf by:

**Mr. Chong Kam Chau**
*Director*

**Mr. Chong Wa Pan**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 (note 27) | Share premium HK$'000 (note 28(b)(i)) | Special reserve HK$'000 (note 28(b)(ii)) | Share-based payment reserve HK$'000 (note 28(b)(iii)) | Foreign currency translation reserve HK$'000 (note 28(b)(iv)) | Statutory reserve HK$'000 (note 28(b)(v)) | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| **At 1 April 2009** | 2,800 | 83,812 | 105,309 | – | 35,311 | 18,045 | 102,052 | 347,329 | – | 347,329 |
| Total comprehensive income for the year | – | – | – | – | 4,935 | – | 24,909 | 29,844 | – | 29,844 |
| Issue of shares on placement (note 27(a)) | 420 | 49,980 | – | – | – | – | – | 50,400 | – | 50,400 |
| Transfers | – | – | – | – | – | 81 | (81) | – | – | – |
| Share issue expenses | – | (1,170) | – | – | – | – | – | (1,170) | – | (1,170) |
| Share-based payments | – | – | – | 474 | – | – | – | 474 | – | 474 |
| Dividend recognised as distribution (note 13) | – | – | – | – | – | – | (12,880) | (12,880) | – | (12,880) |
| Change in equity for the year | 420 | 48,810 | – | 474 | 4,935 | 81 | 11,948 | 66,668 | – | 66,668 |
| **At 31 March 2010** | 3,220 | 132,622 | 105,309 | 474 | 40,246 | 18,126 | 114,000 | 413,997 | – | 413,997 |
| **At 1 April 2010** | 3,220 | 132,622 | 105,309 | 474 | 40,246 | 18,126 | 114,000 | 413,997 | – | 413,997 |
| Total comprehensive income/(expense) for the year | – | – | – | – | 11,250 | – | 18,352 | 29,602 | (1,945) | 27,657 |
| Incorporation of a non-wholly owned subsidiary | – | – | – | – | – | – | – | – | 4 | 4 |
| Issue of shares upon acquisition of subsidiaries (note 27(b)) | 68 | 7,820 | – | – | – | – | – | 7,888 | – | 7,888 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | 20,837 | 20,837 |
| Share-based payments | – | – | – | 7,928 | – | – | – | 7,928 | – | 7,928 |
| Dividend recognised as distribution (note 13) | – | – | – | – | – | – | (8,220) | (8,220) | – | (8,220) |
| Change in equity for the year | 68 | 7,820 | – | 7,928 | 11,250 | – | 10,132 | 37,198 | 18,896 | 56,094 |
| **At 31 March 2011** | **3,288** | **140,442** | **105,309** | **8,402** | **51,496** | **18,126** | **124,132** | **451,195** | **18,896** | **470,091** |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2011

| | Note | **2011 HK$'000** | 2010 HK$'000 (Restated) |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before tax | | **19,616** | 27,883 |
| Adjustments for: | | | |
| Amortisation of prepaid lease payments | | **834** | 894 |
| Depreciation of property, plant and equipment | | **22,925** | 24,001 |
| Gain on bargain purchase | | **(4,365)** | — |
| Decrease in fair value of held for trading investments | | **1,967** | — |
| Allowance for bad and doubtful debts | | **352** | — |
| Bad debts written off | | **—** | 51 |
| Allowance/(reversal of allowance) for inventories | | **767** | (20) |
| Gain on disposal of held for trading investments | | **(293)** | — |
| (Gain)/loss on disposal of property, plant and equipment, net | | **(308)** | 105 |
| Gain on disposal of subsidiaries | | **—** | (15,989) |
| Share-based payments | | **7,928** | 474 |
| Finance costs | | **2,377** | 896 |
| Interest income | | **(757)** | (815) |
| Operating profit before working capital changes | | **51,043** | 37,480 |
| Decrease/(increase) in inventories | | **11,450** | (24,113) |
| Increase in trade receivables | | **(64,181)** | (3,069) |
| Decrease in prepayments, deposits and other receivables | | **3,692** | 10,095 |
| Increase in held for trading investments | | **(9,551)** | — |
| Increase in trade and bills payables | | **33,243** | 2,495 |
| (Decrease)/increase in accruals and other payables | | **(10,845)** | 6,227 |
| Cash generated from operations | | **14,851** | 29,115 |
| Income taxes paid | | **(6,061)** | (4,089) |
| Net cash generated from operating activities | | **8,790** | 25,026 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(44,755)** | (32,924) |
| Increase in deposits paid for prepaid lease payments | | **(19,012)** | — |
| Increase in deposits paid for acquisition of property, plant and equipment | | **(16,588)** | (382) |
| Net cash outflow relating to acquisition of subsidiaries | 32 | **(7,261)** | — |
| Decrease in pledged bank deposits | | **12,445** | 14,143 |
| Proceeds from disposal of property, plant and equipment | | **684** | 7,399 |
| Interest received | | **757** | 815 |
| Net cash inflow from disposal of subsidiaries | 33 | **—** | 12,855 |
| Net cash (used in)/generated from investing activities | | **(73,730)** | 1,906 |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2011

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| Drawing/(repayment) of trust receipts loans, net | **22,263** | (1,100) |
| Advances from non-controlling interests | **17,795** | — |
| New long-term borrowings | **9,477** | 21,450 |
| Capital injection from a non-controlling interest on incorporation of a non-wholly owned subsidiary | **4** | — |
| Dividend paid | **(8,220)** | (12,880) |
| Repayment of long-term borrowings | **(5,073)** | (35,635) |
| Interest paid | **(2,377)** | (896) |
| Proceeds from issue of new shares | **—** | 50,400 |
| Payment of share issue expenses | **—** | (1,170) |
| Net cash generated from financing activities | **33,869** | 20,169 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(31,071)** | 47,101 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **6,067** | 4,295 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **163,857** | 112,461 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank and cash balances** | **138,853** | 163,857 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 1. General Information

The Company was incorporated in the Cayman Islands on 10 March 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. In the opinion of the directors, the immediate and ultimate holding company of the Company is Perfect Group Version Limited, a company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section to the annual report.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 30 March 2006. Further details of the Reorganisation are set out in the paragraph headed "Corporate reorganisation" in Appendix VI to the prospectus of the Company dated 16 February 2009.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 38.

The shares of the Company were listed on the Main Board of the Stock Exchange on 26 February 2009.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its other subsidiaries is HK$.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("INTs") (herein collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| Hong Kong Accounting Standard ("HKAS") 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 32 (Amendment) | Classification of Rights Issues |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRS 1 (Revised) | First-time Adoption of HKFRSs |
| HKFRS 1 (Amendments) | Additional Exemptions for First-time Adopters |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HK(IFRIC)-INT 17 | Distributions of Non-cash Assets to Owners |
| HK-INT 5 | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

### HKFRS 3 (revised) Business Combinations

HKFRS 3 (revised) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 April 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

— HKFRS 3 (revised) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority interests") either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of Fully Chance Holdings Limited ("Fully Chance"), the Group has elected to measure the non-controlling interests at the non-controlling interests' share of the identifiable net assets of the acquiree at the date of acquisition.

— HKFRS 3 (revised) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

— HKFRS 3 (revised) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

— HKFRS 3 (revised) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. The acquisition-related cost is insignificant to the Group and the application of HKFRS 3 (revised) has no significant impact to the consolidated statement of financial position at 31 March 2011 and consolidated income statement of the Group for the current year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

### Amendments to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively. This resulted in prepaid lease payments with carrying amounts of HK$1,526,000 and HK$1,486,000 as at 1 April 2009 and 31 March 2010 respectively being reclassified to property, plant and equipment. The application of amendments to HKAS 17 has had no impact on the reported net assets and profit or loss for the current or prior years.

### Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK-Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-Int 5 for the first time in the current year. HK-Int 5 requires retrospective application.

In order to comply with the requirements set out in HK-Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK-Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with aggregate carrying amounts of HK$3,251,000 and HK$708,000 have been reclassified from non-current liabilities to current liabilities as at 1 April 2009 and 31 March 2010, respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$6,610,000 have been classified as current liabilities. The application of HK-Int 5 has had no impact on the reported net assets and profit or loss for the current or prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6 (e) for details).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

The effects of the changes in accounting policy described above on the financial positions of the Group as at 1 April 2009 and 31 March 2010 are as follows:

| | At 1/4/2009 (Originally stated) HK$'000 | Adjustments HK$'000 | At 1/4/2009 (Restated) HK$'000 | At 31/3/2010 (Originally stated) HK$'000 | Adjustments HK$'000 | At 31/3/2010 (Restated) HK$'000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 115,113 | 1,526 | 116,639 | 108,414 | 1,486 | 109,900 |
| Prepaid lease payments — current | 220 | (40) | 180 | 569 | (40) | 529 |
| Prepaid lease payments — non-current | 31,018 | (1,486) | 29,532 | 26,592 | (1,446) | 25,146 |
| Current portion of long-term borrowings | (5,185) | (3,251) | (8,436) | (2,543) | (708) | (3,251) |
| Non-current portion of long-term borrowings | (3,251) | 3,251 | — | (708) | 708 | — |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2] |
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4] |
| HKFRS 7 (Amendments) | Disclosures — Transfers of Financial Assets[4] |
| HKFRS 9 | Financial Instruments[6] |
| HKFRS 10 | Consolidated Financial Statements[6] |
| HKFRS 11 | Joint Arrangements[6] |
| HKFRS 12 | Disclosure of Interests in Other Entities[6] |
| HKFRS 13 | Fair Value Measurement[6] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[5] |
| HKAS 24 (Revised) | Related Party Disclosures[3] |
| HKAS 27 (Revised) | Separate Financial Statements[6] |
| HKAS 28 (Revised) | Investments in Associates and Joint Ventures[6] |
| HK(IFRIC)-Int 14 (Amendment) | Prepayment of a Minimum Funding Requirement[3] |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 July 2011.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profits or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liabilities that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of that effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and held for trading investments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (a) Basis of consolidation (Continued)

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

***Allocation of total comprehensive income to non-controlling interests***

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

***Business combinations***

*Business combinations that took place on or after 1 April 2010*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

— deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

— liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (a) Basis of consolidation (Continued)

***Business combinations** (Continued)*

*Business combinations that took place on or after 1 April 2010 (Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

*Business combinations that took place prior to 1 April 2010*

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

### (b) Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company (see note 39 (a)) at cost less any identified impairment loss.

### (c) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (c) Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised 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 derecognised.

### (d) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the profit or loss in the period in which the item is derecognised.

### (e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

***Leasehold land for own use***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (f) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the foreign currency translation reserve (attributed to non-controlling interests as appropriate).

From 1 April 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

### (g) Club membership

Club membership with indefinite useful life is stated at cost less any impairment loss. Impairment is reviewed annually or when there is any indication that the club membership has suffered impairment loss.

### (h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (i) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profits or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Financial assets at fair value through profit or loss*

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling in the near future; or

— on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (i) Financial instruments (Continued)

***Financial assets*** *(Continued)*

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, pledged bank deposits and bank and cash balances) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as default or delinquency in interest and principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of one year, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (i) Financial instruments (Continued)

***Impairment of financial assets*** *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and deposits, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables and deposits are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

***Financial liabilities and equity instruments***

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

The Group's financial liabilities are generally classified into other financial liabilities.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities including trade and bills payables, accruals and other payables, amounts due to non-controlling interests and borrowings are subsequently measured at amortised cost, using the effective interest method.

*Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (i) Financial instruments (Continued)

***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

On derecognition of a financial assets other than in its entirely (e.g. when the Group retains an option to repurchase part of a transferred assets or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that has been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (j) Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

### (k) Revenue recognition

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 discounts and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

Management fee income is recognised when services are provided.

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

### (l) Employee benefits costs

***(i) Employee leave entitlements***

Employee entitlements to annual leave and long service leave are recognised 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 end of the reporting period.

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

***(ii) Pension obligations***

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

***(iii) Termination benefits***

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (m) Share-based payment transactions

***Share options granted to employees of the Group in an equity-settled share-based payment arrangement***

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share-based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

### (n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (o) Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss.

### (p) Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets except club membership, investment properties, inventories and receivables to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 3. Significant Accounting Policies (Continued)

### (p) Impairment of tangible assets (Continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognised immediately in profit or loss.

Where impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of impairment loss is recognised in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (q) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### (a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is 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 and 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) Allowance for inventories

Allowance for inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

### (c) Allowance for bad and doubtful debts

The Group makes allowance of bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and bad and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors 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 taxes in several jurisdictions. Significant estimates are required in determining the 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 provisions in the period in which such determination is made.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings. The directors review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group has a target gearing ratio of not more than 30% determined as the proportion of net debt to equity.

The gearing ratio at the end of the reporting period was as follows:

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Debt (a) | **62,491** | 30,226 |
| Less: Bank and cash balances | **(62,491)** | (30,226) |
| Net debt | **—** | — |
| Equity (b) | **470,091** | 413,997 |
| Net debt to equity ratio | **—** | — |

(a) Debt is defined as short-term and long-term borrowings, as detailed in notes 24 and 25.

(b) Equity includes all capital and reserves of the Group.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign currency risk

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

The following table demonstrates the sensitivity to a change in the value of foreign currency against functional currency with all other variables held constant, of the Group's profit after tax. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a change in foreign currency rates. A positive number indicates an increase in profit after tax. If the foreign currency rate changes in opposite direction with all other variables held constant, there would be an equal and opposite impact on the Group's profit after tax.

| | **Foreign currency rate movement** | **Increase/ (decrease) in profit after tax**<br>HK$'000 |
|---|---|---|
| **Year ended 31 March 2011** | | |
| — USD | **+1%** | **36** |
| — RMB | **+10%** | **313** |
| — HK$ | **–10%** | **(690)** |
| Year ended 31 March 2010 | | |
| — USD | +1% | 138 |
| — RMB | +10% | (148) |
| — HK$ | –10% | (9,116) |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 6. Financial Risk Management (Continued)

### (b) Interest rate risk

The Group's exposure to interest rate risk arises mainly from its bank deposits and borrowings.

The Group's fixed bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risk. The directors consider the Group's exposure to interest rate risk on fixed bank deposits is not significant.

The Group's cash flow interest rate risk primarily relates to variable-rate bank deposits and bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rate risk on its variable rate bank deposits and borrowings at the end of the reporting period and prepared assuming the amount of bank deposits and borrowings outstanding at the end of each reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher with all other variables held constant, the Group's post-tax profit for the year ended 31 March 2011 would have been HK$502,000 higher (2010: HK$438,000 higher). If interest rates had been 100 basis points lower with all other variables held constant, these would be an equal and opposite impact on the Group's profit after tax.

The Group currently does not have any interest rate hedging policy in relation to interest rate risk. The directors monitor the Group's exposure in ongoing basis and will consider hedging interest rate risk should the need arise.

### (c) Other price risk

The Group is exposed to equity price risk through its held for trading investments. The Group's held for trading investments has significant concentration of price risk on a particular equity stock traded in the Stock Exchange. Management monitors the equity price exposure by regularly reviewing and maintaining a portfolio of equity investments with different risk profiles.

***Sensitivity analysis***

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. If the prices of the respective equity instruments had been 10% higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2011 would have increased/decreased by approximately HK$658,000 (2010: nil) as a result of the changes in fair value of held for trading investments.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 6. Financial Risk Management (Continued)

### (d) Credit risk

The carrying amount of trade and other receivables and bank and cash balances including pledged bank deposits included in the consolidated statement of financial position, represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The Group has no significant concentration of credit risk. The percentage of trade receivables due from the Group's five largest customers in aggregate to the Group's total trade receivables net of allowance is 23% (2010: 21%) as at 31 March 2011.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 97% (2010: 96%) of the total trade receivables as at 31 March 2011.

The credit risk on liquid funds is limited because the counterparties are mainly well-recognised financial institutions.

### (e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 6. Financial Risk Management (Continued)

### (e) Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Less than 1 year HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
| **At 31 March 2011** | | | | | | |
| Bank borrowings | **58,927** | **–** | **–** | **–** | **58,927** | **58,927** |
| Trade, bills and other payables | **119,973** | **–** | **–** | **–** | **119,973** | **119,914** |
| Amounts due to non-controlling interests | **7,437** | **1,441** | **4,322** | **7,386** | **20,586** | **18,057** |
| Other loans | **1,647** | **1,091** | **1,145** | **–** | **3,883** | **3,564** |
| | **187,984** | **2,532** | **5,467** | **7,386** | **203,369** | **200,462** |
| At 31 March 2010 | | | | | | |
| Bank borrowings | 30,226 | – | – | – | 30,226 | 30,226 |
| Trade and other payables | 58,376 | – | – | – | 58,376 | 58,376 |
| | 88,602 | – | – | – | 88,602 | 88,602 |

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 March 2011 and 31 March 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$58,927,000 and HK$30,226,000, respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 1 to 5 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$59,474,000 (2010: HK$30,361,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

### 6. Financial Risk Management (Continued)

#### (f) Categories of financial instruments

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| **Financial assets:** | | |
| Held for trading investments | **7,877** | — |
| Loans and receivables (including cash and cash equivalents) | **334,050** | 289,070 |
| **Financial liabilities:** | | |
| Financial liabilities measured at amortised cost | **200,462** | 88,602 |

#### (g) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

— the fair values of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their corresponding fair values.

***Fair value measurements recognised in the consolidated statement of financial position***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 | |
|---|---|---|
| | 2011 HK$'000 | 2010 HK$'000 |
| Held for trading investments | **7,877** | — |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 7. Turnover and Segmental Information

Turnover of the Group represents net invoiced value of goods sold for the year.

### Segmental information

The chief operating decision makers have been identified as the executive directors of the Company ("the Executives Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

The Group has two reportable segments as follows:

Corrugated products — manufacture and sale of corrugated board and corrugated paper-based packing products; and

Offset printed corrugated products — manufacture and sale of offset printed corrugated products.

### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

**For the year ended 31 March 2011**

| | Corrugated products HK$'000 | Offset printed corrugated products HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| External sales | 579,702 | 117,938 | — | 697,640 |
| Inter-segment sales | 69,009 | 37,140 | (106,149) | — |
| **Total** | 648,711 | 155,078 | (106,149) | 697,640 |
| **Segment results** | 29,400 | (2,802) | | 26,598 |
| Interest income | | | | 757 |
| Gain on bargain purchase | | | | 4,365 |
| Corporate expenses | | | | (12,104) |
| **Profit before tax** | | | | 19,616 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 7. Turnover and Segmental Information (Continued)

### Segment revenues and results (Continued)

For the year ended 31 March 2010

| | Corrugated products HK$'000 | Offset printed corrugated products HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| External sales | 412,047 | 66,389 | — | 478,436 |
| Inter-segment sales | 52,085 | 17,019 | (69,104) | — |
| **Total** | 464,132 | 83,408 | (69,104) | 478,436 |
| **Segment results** | 18,601 | 311 | | 18,912 |
| Interest income | | | | 815 |
| Gain on disposal of subsidiaries | | | | 15,989 |
| Corporate expenses | | | | (7,833) |
| **Profit before tax** | | | | 27,883 |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profits or losses represented the profit earned/loss incurred by each segment without allocation of gain on bargain purchase, gain on disposal of subsidiaries and corporate income and expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 7. Turnover and Segmental Information (Continued)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

**At 31 March 2011**

| | Corrugated products HK$'000 | Offset printed corrugated products HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Segment assets** | 551,495 | 100,537 | 652,032 |
| **Total assets for reportable segments** | | | 652,032 |
| **Unallocated items:** | | | |
| Leasehold land in Hong Kong for corporate use | | | 1,446 |
| Investment properties | | | 420 |
| Club membership | | | 366 |
| Listed investment | | | 7,877 |
| Tax prepaid | | | 3,427 |
| Bank balance managed on central basis | | | 10,939 |
| Others | | | 591 |
| **Consolidated total assets** | | | 677,098 |
| **Segment liabilities** | 103,089 | 15,488 | 118,577 |
| **Total liabilities for reportable segments** | | | 118,577 |
| **Unallocated items:** | | | |
| Current tax liabilities | | | 359 |
| Deferred tax liabilities | | | 5,581 |
| Amounts due to non-controlling interests | | | 18,057 |
| Borrowings | | | 62,491 |
| Others | | | 1,942 |
| **Consolidated total liabilities** | | | 207,007 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 7. Turnover and Segmental Information (Continued)

### Segment assets and liabilities (Continued)

At 31 March 2010

| | Corrugated products HK$'000 | Offset printed corrugated products HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Segment assets** | 308,135 | 127,192 | 435,327 |
| **Total assets for reportable segments** | | | 435,327 |
| **Unallocated items:** | | | |
| Leasehold land in Hong Kong for corporate use | | | 1,486 |
| Investment properties | | | 420 |
| Club membership | | | 366 |
| Tax prepaid | | | 1,462 |
| Bank balance managed on central basis | | | 65,399 |
| Others | | | 190 |
| **Consolidated total assets** | | | 504,650 |
| **Segment liabilities** | 45,801 | 11,751 | 57,552 |
| **Total liabilities for reportable segments** | | | 57,552 |
| **Unallocated items:** | | | |
| Current tax liabilities | | | 262 |
| Deferred tax liabilities | | | 1,789 |
| Borrowings | | | 30,226 |
| Others | | | 824 |
| **Consolidated total liabilities** | | | 90,653 |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than leasehold land in Hong Kong for corporate use, investment properties, club membership, bank balance managed on central basis, tax prepaid and corporate assets; and

- all liabilities are allocated to reportable segments other than current tax liabilities, deferred tax liabilities, amounts due to non-controlling interests, borrowings and corporate liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 7. Turnover and Segmental Information (Continued)

The segment information is as follows:

***Other segment information:***

**2011**

| | Corrugated products HK$'000 | Offset printed corrugated products HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Depreciation and amortisation | 14,520 | 9,198 | 41 | 23,759 |
| Additions to segment non-current assets | 131,662 | 2,720 | 32 | 134,414 |
| Allowance for inventories | — | 767 | — | 767 |
| Gain on disposal of property, plant and equipment | (308) | — | — | (308) |
| Gain on disposal of held for trading investments | (293) | — | — | (293) |
| Write-back of other payables | — | — | (574) | (574) |
| Allowance for bad and doubtful debts | 352 | — | — | 352 |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: | | | | |
| Interest income | (702) | (16) | (39) | (757) |
| Interest expenses | 2,153 | 224 | — | 2,377 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 7. Turnover and Segmental Information (Continued)

***Other segment information:*** *(Continued)*

2010

| | Corrugated products HK$'000 | Offset printed corrugated products HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Depreciation and amortisation | 17,199 | 7,656 | 40 | 24,895 |
| Additions to segment non-current assets | 6,478 | 26,828 | — | 33,306 |
| Reversal of allowance for bad and doubtful debts | (57) | (523) | — | (580) |
| Reversal of allowance for inventories | (20) | — | — | (20) |
| Bad debts written off | 51 | — | — | 51 |
| Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets: | | | | |
| Interest income | (713) | (5) | (97) | (815) |
| Interest expenses | 704 | 192 | — | 896 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 7. Turnover and Segmental Information (Continued)

### Geographical information:

The Group's operations are located in the PRC, Hong Kong and Macau.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| Hong Kong | **33,567** | 25,444 | **4,863** | 3,373 |
| PRC except Hong Kong | **664,073** | 452,992 | **247,763** | 133,244 |
| Consolidated total | **697,640** | 478,436 | **252,626** | 136,617 |

### Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Corrugated products segment | | |
| Customer a | **NA[1]** | 40,214 |
| Offset printed corrugated products segment | | |
| Customer a | **NA[1]** | 8,745 |

[1] No customers contributed over 10% of the total sales of the Group in the respective year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 8. Other Income

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Gain on disposal of property, plant and equipment | 308 | — |
| Gain on disposal of held for trading investments | 293 | — |
| Interest income | 757 | 815 |
| Management fee income | 120 | — |
| Rental Income | 440 | — |
| Reversal of allowance for bad and doubtful debts | — | 580 |
| Write-back of other payables | 574 | — |
| Sundry income | 483 | 39 |
| | 2,975 | 1,434 |

## 9. Finance Costs

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Interest on: | | |
| bank borrowings | | |
| — wholly repayable within five years | 1,326 | 896 |
| other loans | | |
| — wholly repayable within five years | 621 | — |
| amount due to a non-controlling interest | | |
| — not wholly repayable within five years | 430 | — |
| | 2,377 | 896 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 10. Income Tax Expense

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Hong Kong Profits Tax | | |
| Current tax | **245** | 788 |
| Under-provision in previous years | **—** | 372 |
| | **245** | 1,160 |
| PRC enterprise income tax ("EIT") | | |
| Current tax | **3,020** | 1,985 |
| Under-provision in previous years | **928** | 325 |
| | **3,948** | 2,310 |
| Deferred tax (note 26) | **(580)** | (496) |
| | **3,613** | 2,974 |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits. Tax charge on profits assessable in other jurisdictions has been calculated at the rates of tax prevailing in the relevant jurisdictions.

The mode of manufacturing operations of Wah Ming International Limited ("Wah Ming") is within the scope of the Departmental Interpretation Practice Note No. 21 issued by the Inland Revenue Department of Hong Kong, that Wah Ming conducted its manufacturing operations by entering into contract processing arrangements with a processing factory in the PRC and hence 50% of the adjusted profits were treated as offshore and not taxable in Hong Kong.

A portion of the Group's profit for the year is earned by the Macau subsidiaries of the Group incorporated under the Macao SAR's Offshore Law. Pursuant to the Macao SAR's Offshore Law, such portion of profits is exempted from Macau complimentary tax. Further, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

On 16 March 2007, the new PRC enterprise income tax law passed by the Tenth National People's Congress introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law became effective on 1 January 2008. Pursuant to "Notice on Corporate Income Tax Transitional Arrangement" issued by the PRC State Council on 26 December 2007, enterprises entitled to lower tax rates under the old law have been given a five-year grace period before they are required to pay the statutory rate. According to Shenzhen tax bureau final approval, the applicable enterprise income tax rate for Come Sure Packing Products (Shenzhen) Company Limited would be 20% in calendar year 2009, 22% in 2010, 24% in 2011 and 25% from 2012 onwards.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 10. Income Tax Expense (Continued)

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$56,518,000 (2010: approximately HK$17,752,000) as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

The Inland Revenue Department of Hong Kong (the "IRD") issued several letters to a director of the Company, Mr. Chong Kam Chau ("Mr. Chong"), the Company and some of its subsidiaries requesting for certain information for the years of assessment from 2002/03 to 2006/07. The Group has already submitted several replies and provided part of the financial information to the IRD. The Group is still waiting for further comment from the IRD. On 16 March 2009, the IRD issued estimated assessments for the year of assessment 2002/03 to two of the subsidiaries of the Group which amounted to HK$640,000. On 15 March 2010, the IRD issued estimated assessments for the year of assessment 2003/04 to three of the subsidiaries of the Group which amounted to HK$2,800,000.

On 8 February 2011, the IRD issued estimated assessments for the year of assessment of 2004/05 to five of the subsidiaries of the Group which amounted to HK$6,300,000. The Group has made objections to the IRD on those estimated assessments on 9 April 2009, 23 March 2010 and 7 March 2011 respectively. In the opinion of the directors, as at 31 March 2011, the provision for taxation made in the consolidated financial statements is sufficient and not excessive. Subsequent to the year ended 31 March 2011, the Group has purchased tax reserve certificates amounting to HK$3,500,000.

The tax charge for the years can be reconciled to the profit before tax per the consolidated income statement as follows:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Profit before tax | **19,616** | 27,883 |
| Tax at Hong Kong Profits Tax rate of 16.5% | **3,236** | 4,601 |
| Tax effect of income that is not taxable | **(2,422)** | (281) |
| Tax effect of expenses that are not deductible | **2,987** | 863 |
| Tax effect of tax losses not recognised | **1,402** | 418 |
| Tax effect of utilisation of tax losses not previously recognised | **—** | (2) |
| Tax effect of deductible temporary differences not recognised | **237** | 335 |
| Tax effect of profit that is under tax concession | **(3,675)** | (3,878) |
| Under-provision in previous years | **928** | 697 |
| Over-provision for the year | **—** | (184) |
| Effect of different tax rates of subsidiaries | **920** | 405 |
| Income tax expense | **3,613** | 2,974 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 11. Profit for the Year

Profit for the year has been arrived at after charging/(crediting) the followings:

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Depreciation for property, plant and equipment | **22,925** | 24,001 |
| Amortisation of prepaid lease payments | **834** | 894 |
| Total depreciation and amortisation | **23,759** | 24,895 |
| Auditors' remuneration | **850** | 770 |
| Cost of inventories sold (note a) | **574,156** | 393,290 |
| Operating lease charges in respect of land and buildings | **17,857** | 15,467 |
| (Gain)/loss on disposal of property, plant and equipment, net | **(308)** | 105 |
| Allowance/(reversal of allowance) for inventories (included in cost of inventories sold) | **767** | (20) |
| Allowance for bad and doubtful debts (included in other operating expenses) | **352** | — |
| Bad debts written off (included in other operating expenses) | **—** | 51 |
| Net foreign exchange loss | **2,043** | 3,461 |

Note:

(a) Cost of inventories sold includes staff costs, depreciation and operating lease charges totalled approximately HK$73,062,000 (2010: HK$56,313,000) which are included in the amounts disclosed separately above.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 12. Directors' and Employees' Emoluments

### (a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2010: 8) directors were as follows:

**For the year ended 31 March 2011**

| Name of director | Fees HK$'000 | Salaries and other allowances HK$'000 | Discretionary bonus HK$'000 | Share-based payments HK$'000 | Retirement benefits scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| *Executive directors* | | | | | | |
| Mr. Chong Kam Chau | – | 998 | 150 | 373 | 12 | 1,533 |
| Mr. Chong Wa Pan | – | 795 | 120 | 263 | 12 | 1,190 |
| Mr. Chong Wa Ching | – | 464 | 70 | 132 | 12 | 678 |
| Mr. Chong Wa Lam | – | 398 | 60 | 132 | 12 | 602 |
| Mr. Yiu Ho Chi, Stephen | – | 366 | 167 | – | 3 | 536 |
| | – | 3,021 | 567 | 900 | 51 | 4,539 |
| *Independent non-executive directors* | | | | | | |
| Mr. Chau On Ta Yuen | 80 | – | – | 156 | – | 236 |
| Ms. Tsui Pui Man | 80 | – | – | 156 | – | 236 |
| Mr. Law Tze Lun | 80 | – | – | 156 | – | 236 |
| | 240 | – | – | 468 | – | 708 |
| | 240 | 3,021 | 567 | 1,368 | 51 | 5,247 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 12. Directors' and Employees' Emoluments (Continued)

### (a) Directors' emoluments (Continued)

For the year ended 31 March 2010

| Name of director | Fees HK$'000 | Salaries and other allowances HK$'000 | Discretionary bonus HK$'000 | Share-based payments HK$'000 | Retirement benefits scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| *Executive directors* | | | | | | |
| Mr. Chong Kam Chau | – | 821 | 60 | 101 | 12 | 994 |
| Mr. Chong Wa Pan | – | 610 | 50 | 72 | 12 | 744 |
| Mr. Yiu Ho Chi, Stephen | – | 645 | 50 | – | 12 | 707 |
| Mr. Chong Wa Ching | – | 444 | 35 | 36 | 12 | 527 |
| Mr. Chong Wa Lam | – | 300 | 25 | 36 | 12 | 373 |
| | – | 2,820 | 220 | 245 | 60 | 3,345 |
| *Independent non-executive directors* | | | | | | |
| Mr. Chau On Ta Yuen | 80 | – | – | 18 | – | 98 |
| Ms. Tsui Pui Man | 80 | – | – | 18 | – | 98 |
| Mr. Law Tze Lun | 80 | – | – | 18 | – | 98 |
| | 240 | – | – | 54 | – | 294 |
| | 240 | 2,820 | 220 | 299 | 60 | 3,639 |

During the year ended 31 March 2010, Mr. Chong Kam Chau, executive director of the Company, had agreed to waive his emolument of HK$600,000 (2011: nil). Save as disclosed above, there was no other arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2010 and 2011.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 12. Directors' and Employees' Emoluments (Continued)

### (b) Employees' emoluments

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Directors' emoluments (including share-based payment) (note 12(a)) | **5,247** | 3,639 |
| Other staff costs | | |
| — Other staff salaries, bonus and allowances | **59,395** | 39,064 |
| — Share-based payments (excluding directors) | **6,560** | 175 |
| — Retirement benefits scheme contributions (excluding directors) | **3,962** | 3,175 |
| | **75,164** | 46,053 |

Of the five individuals with the highest emoluments in the Group, two (2010: three) were directors of the Company whose emoluments are included in the disclosures in note 12(a) above. The emoluments of the remaining three (2010: two) individuals were as follows:

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Salaries and other allowances | **2,012** | 1,212 |
| Discretionary bonus | **569** | 102 |
| Retirement benefits scheme contributions | **36** | 22 |
| Share-based payments | **451** | 18 |
| | **3,068** | 1,354 |

Their emoluments were within the following band:

| | Number of individuals<br>2011 | <br>2010 |
|---|---|---|
| Nil to HK$1,000,000 | **1** | 2 |
| HK$1,000,001 – HK$1,500,000 | **2** | — |
| | **3** | 2 |

### (c)

During the year ended 31 March 2011, no emoluments were paid by the Group to any of the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group (2010: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 13. Dividends

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Dividend recognised as distribution during the year | | |
| 2010 Final dividend – HK2.5 cents (2009: HK4.6 cents) per share | **8,220** | 12,880 |

The final dividend of HK1.9 cents (2010: HK2.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 14. Earnings Per Share

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

| | Earnings | |
|---|---|---|
| | 2011<br>HK$'000 | 2010<br>HK$'000 |
| Profit for the year attributable to owners of the Company | **18,352** | 24,909 |

| | Number of shares | |
|---|---|---|
| | 2011 | 2010 |
| Issued and issuable ordinary shares at beginning of year | **322,000,000** | 280,000,000 |
| Effect of shares issued under placing and allotment | **5,887,123** | 2,589,041 |
| Weighted average number of ordinary shares at end of year | **327,887,123** | 282,589,041 |

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme. As the adjusted exercise price of the share options granted by the Company was higher than the relevant average market price of the Company's shares for the years ended 31 March 2011 and 2010, those outstanding share options granted, which amounted to 27,000,000 and 8,400,000 shares (note 29) as at 31 March 2011 and 2010 respectively, had no dilutive effect on earnings per share for the years ended 31 March 2011 and 2010.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 15. Prepaid Lease Payments

| | **31/3/2011 HK$'000** | 31/3/2010 HK$'000 (Restated) | 1/4/2009 HK$'000 (Restated) |
|---|---|---|---|
| Analysed for reporting purposes as: | | | |
| Current portion | **881** | 529 | 180 |
| Non-current portion | **40,506** | 25,146 | 29,532 |
| | **41,387** | 25,675 | 29,712 |

| | **31/3/2011 HK$'000** | 31/3/2010 HK$'000 (Restated) | 1/4/2009 HK$'000 (Restated) |
|---|---|---|---|
| The prepaid lease payments comprise the following leasehold land held under medium term leases: | | | |
| Land in the PRC | **41,387** | 25,675 | 29,712 |

At 31 March 2011, the carrying amount of the prepaid lease payments which have been pledged as security for the banking facilities granted to the Group, is approximately HK$15,504,000 (2010: nil) (note 30).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 16. Property, Plant and Equipment

| | Buildings HK$'000 | Leasehold land in Hong Kong under finance lease HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 April 2009 (originally stated) | 17,989 | – | 22,898 | 234,798 | 5,410 | 8,279 | 1,153 | 290,527 |
| Effect of change in accounting policy | – | 2,209 | – | – | – | – | – | 2,209 |
| At 1 April 2009 (restated) | 17,989 | 2,209 | 22,898 | 234,798 | 5,410 | 8,279 | 1,153 | 292,736 |
| Additions | 131 | – | 162 | 26,980 | 244 | 20 | 5,387 | 32,924 |
| Disposals | – | – | – | (10,779) | – | – | – | (10,779) |
| Disposal of subsidiaries | (14,001) | – | (2,957) | – | – | – | – | (16,958) |
| Transfer | 1,177 | – | – | – | – | – | (1,177) | – |
| Exchange differences | 100 | – | 340 | 3,424 | – | 120 | 24 | 4,008 |
| At 31 March 2010 | 5,396 | 2,209 | 20,443 | 254,423 | 5,654 | 8,419 | 5,387 | 301,931 |
| Additions | – | – | 163 | 3,986 | 1,267 | 2,211 | 37,128 | 44,755 |
| Disposals | – | – | – | (1,333) | – | (1,969) | – | (3,302) |
| Additions through acquisition of subsidiaries | 18,871 | – | – | 15,429 | 1,902 | 1,703 | 785 | 38,690 |
| Exchange differences | 662 | – | 1,225 | 6,208 | 81 | 223 | 1,005 | 9,404 |
| At 31 March 2011 | 24,929 | 2,209 | 21,831 | 278,713 | 8,904 | 10,587 | 44,305 | 391,478 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| At 1 April 2009 (originally stated) | 9,005 | – | 12,789 | 143,414 | 4,172 | 6,034 | – | 175,414 |
| Effect of change in accounting policy | – | 683 | – | – | – | – | – | 683 |
| At 1 April 2009 (restated) | 9,005 | 683 | 12,789 | 143,414 | 4,172 | 6,034 | – | 176,097 |
| Charge for the year | 278 | 40 | 2,840 | 19,808 | 388 | 647 | – | 24,001 |
| Disposals | – | – | – | (3,275) | – | – | – | (3,275) |
| Disposal of subsidiaries | (6,796) | – | (690) | – | – | – | – | (7,486) |
| Exchange differences | 24 | – | 229 | 2,340 | – | 101 | – | 2,694 |
| At 31 March 2010 | 2,511 | 723 | 15,168 | 162,287 | 4,560 | 6,782 | – | 192,031 |
| Charge for the year | 1,024 | 40 | 2,167 | 17,945 | 770 | 979 | – | 22,925 |
| Disposals | – | – | – | (1,200) | – | (1,726) | – | (2,926) |
| Exchange differences | 56 | – | 408 | 3,868 | 9 | 158 | – | 4,499 |
| At 31 March 2011 | 3,591 | 763 | 17,743 | 182,900 | 5,339 | 6,193 | – | 216,529 |
| **Carrying amounts** | | | | | | | | |
| **At 31 March 2011** | **21,338** | **1,446** | **4,088** | **95,813** | **3,565** | **4,394** | **44,305** | **174,949** |
| At 31 March 2010 (restated) | 2,885 | 1,486 | 5,275 | 92,136 | 1,094 | 1,637 | 5,387 | 109,900 |
| At 1 April 2009 (restated) | 8,984 | 1,526 | 10,109 | 91,384 | 1,238 | 2,245 | 1,153 | 116,639 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 16. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Buildings | 20 years |
| Leasehold land in Hong Kong under finance lease | Over the lease term |
| Leasehold improvements | 5–10 years |
| Plant and machinery | 5–10 years |
| Furniture, fixtures and equipment | 3–10 years |
| Motor vehicles | 5–10 years |

The Group's leasehold land and buildings at their carrying amounts are analysed as follows:

| | **31/3/2011 HK$'000** | 31/3/2010 HK$'000 | 1/4/2009 HK$'000 |
|---|---|---|---|
| Leasehold land in Hong Kong | **1,446** | 1,486 | 1,526 |
| Buildings in the PRC | **21,338** | 2,885 | 8,984 |
| | **22,784** | 4,371 | 10,510 |

The buildings situated in Hong Kong, which have been fully depreciated, and leasehold land in Hong Kong are pledged as security for the banking facilities granted to the Group as at 31 March 2011 and 2010 (note 30).

At 31 March 2011, the carrying amount of the buildings situated in PRC which have been pledged as security for the banking facilities granted to the Group, is approximately HK$18,554,000 (2010: nil) (note 30).

## 17. Investment Properties

| | **HK$'000** |
|---|---|
| At 1 April 2009, 31 March 2010 and 31 March 2011 | 420 |

As at 31 March 2011 and 2010, the fair value of the investment properties represented management's best estimate which was based on current prices in an active market for similar properties in similar location.

The investment properties were situated in Hong Kong under long-term leases.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 18. Inventories

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Raw materials | **63,240** | 64,483 |
| Work in progress | **2,211** | 1,934 |
| Finished goods | **8,950** | 8,597 |
| | **74,401** | 75,014 |

For the year ended 31 March 2010, the reversal of allowance for inventories of approximately HK$20,000 was mainly due to the sales of inventories above net realisable value.

## 19. Trade Receivables

Payment terms with customers are mainly on cash on delivery and on credit. The credit periods ranged from 15 days to 120 days after the end of the month in which the relevant sales occurred. The ageing analysis of trade receivables, based on the due date for settlement, is as follows:

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Trade receivables: | | |
| Not yet due for settlement | **102,439** | 75,704 |
| Overdue: | | |
| 1 to 30 days | **33,778** | 6,231 |
| 31 to 90 days | **21,217** | 8,646 |
| 91 to 365 days | **4,815** | 1,813 |
| Over 1 year | **6,651** | 3,544 |
| | **168,900** | 95,938 |
| Less: Allowance for bad and doubtful debts | **(5,619)** | (3,965) |
| | **163,281** | 91,973 |

Included in the Group's trade receivable balance are debtors (see below for ageing analysis) which are past due as at the reporting date for which the Group has not provided for allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 19. Trade Receivables (Continued)

### Ageing of trade receivables which are past due but not impaired

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Overdue by: | | |
| 1 to 90 days | **54,995** | 14,877 |
| 91 to 365 days | **4,443** | 1,392 |
| Over 1 year but within 2 years | **1,404** | — |
| Total | **60,842** | 16,269 |

### Movement in the allowance for bad and doubtful debts

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| 1 April | **3,965** | 4,680 |
| On acquisition of subsidiaries | **1,415** | — |
| Allowance for bad and doubtful debts for overdue trade receivables | **352** | — |
| Reversal of allowance for bad and doubtful debts | **—** | (580) |
| Write off as bad debts | **(222)** | (184) |
| Exchange differences | **109** | 49 |
| 31 March | **5,619** | 3,965 |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$5,619,000 (2010: HK$3,965,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 19. Trade Receivables (Continued)

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

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| HK$ | **75,762** | 44,750 |
| USD | **15,307** | 6,322 |
| RMB | **70,368** | 40,619 |
| AUD | **1,844** | 282 |
| | **163,281** | 91,973 |

## 20. Held for Trading Investments

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Equity securities listed in Hong Kong | **7,877** | — |

The amount was stated at fair value based on quoted market prices.

## 21. Pledged Bank Deposits and Bank and Cash Balances

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group (note 30).

The Group's pledged bank deposits of approximately HK$15,711,000 (2010: HK$25,467,000) and fixed bank deposits of HK$17,207,000 (2010: HK$6,340,000) are arranged at fixed rates for the year ended 31 March 2011 and carry average interest rates of 1.07% (2010: 1.00%) per annum and therefore subject to fair value interest rate risk which the directors considered as not significant. The remaining bank and cash balances carry interest at market rates and therefore exposed to cash flow interest rate risk.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$15,711,000 (2010: HK$25,467,000) have been pledged to secure short-term bank loans and undrawn facilities and are therefore classified as current assets.

Bank and cash balances and pledged bank deposits of the Group amounted to approximately HK$83,405,000 (2010: HK$45,100,000) as at 31 March 2011, were denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 22. Trade and Bills Payables

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Trade payables: | | |
| 0 to 30 days | **51,582** | 27,022 |
| 31 days to 90 days | **675** | 306 |
| Over 90 days | **743** | 321 |
| | **53,000** | 27,649 |
| Bills payables | **15,732** | — |
| | **68,732** | 27,649 |

Payment terms granted by suppliers are mainly on cash on delivery and on credit. The credit periods ranged from 15 days to 90 days after end of the month in which the relevant purchase occurred. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| HK$ | **15,900** | 7,866 |
| RMB | **52,832** | 19,783 |
| | **68,732** | 27,649 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 23. Amounts due to Non-Controlling Interests

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| The amount due is repayable as follow: | | |
| Within one year | **7,177** | — |
| In the second year | **1,180** | — |
| In the third to fifth year, inclusive | **4,723** | — |
| After five years | **4,977** | — |
| | **18,057** | — |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(7,177)** | — |
| Amount due for settlement after 12 months | **10,880** | — |

The amount of USD1,500,000 due to a non-controlling interest of a subsidiary, Fully Chance, is unsecured and interest bearing at 5% per annum. The principal is repayable in ten annual instalments (commencing on 11 June 2011) plus interest on the outstanding balance.

The amount of approximately HK$5,996,000 due to a non-controlling interest of a subsidiary, Crown Gold Limited, is unsecured, non-interest bearing and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 24. Short-Term Bank Borrowings

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Trust receipts loans | **38,238** | 15,975 |
| Short-term bank loans | **11,000** | 11,000 |
| | **49,238** | 26,975 |

All the short-term bank borrowings are denominated in HK$.

The average interest rates at 31 March were as follows:

| | **2011** | 2010 |
|---|---|---|
| Trust receipts loans | **2.03%** | 2.13% |
| Short-term bank loans | **1.95%** | 1.80% |

At 31 March 2011 and 2010, all short-term bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 March 2011 and 2010, the short-term bank borrowings are secured by the following:

(i) corporate guarantees given by certain subsidiaries and the Company; and

(ii) bank deposits and leasehold land and buildings situated in Hong Kong of the Group (note 30).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 25. Long-Term Borrowings

| | 31/3/2011<br>HK$'000 | 31/3/2010<br>HK$'000<br>(Restated) | 1/4/2009<br>HK$'000<br>(Restated) |
|---|---|---|---|
| Bank loans (note a) | **9,689** | 3,251 | 8,436 |
| Other loans (note b) | **3,564** | — | — |
| | **13,253** | 3,251 | 8,436 |

| | 31/3/2011<br>HK$'000 | 31/3/2010<br>HK$'000<br>(restated) | 1/4/2009<br>HK$'000<br>(restated) |
|---|---|---|---|
| **Bank loans** | | | |
| The bank loans are repayable as follows (note c): | | | |
| On demand or within one year | **3,079** | 2,543 | 5,185 |
| More than one year, but not exceeding two years | **2,373** | 708 | 2,544 |
| More than two years, but not exceeding five years | **4,237** | — | 707 |
| | **9,689** | 3,251 | 8,436 |
| **Other loans** | | | |
| The other loans are repayable as follows (note c): | | | |
| On demand or within one year | **1,585** | — | — |
| More than one year, but not exceeding two years | **989** | — | — |
| More than two years, but not exceeding five years | **990** | — | — |
| | **3,564** | — | — |
| Total long-term borrowings | **13,253** | 3,251 | 8,436 |
| Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | **(6,610)** | (708) | (3,251) |
| Less: Amounts due within one year shown under current liabilities | **(4,664)** | (2,543) | (5,185) |
| Current portion | **(11,274)** | (3,251) | (8,436) |
| Non-current portion | **1,979** | — | — |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 25. Long-Term Borrowings (Continued)

(a) The bank loans are arranged at floating rates and expose the Group to cash flow interest rate risk. The average interest rate was 1.7% (2010: 1.62%) per annum at 31 March 2011.

At 31 March 2011 and 2010, the bank loans were secured by the following:

(i) corporate guarantees given by certain subsidiaries and the Company; and

(ii) bank deposits and leasehold land and buildings situated in Hong Kong of the Group (note 30).

All the long-term bank loans are denominated in HK$.

(b) The other loans are arranged at fixed rate of 5% and expose the Group to fair value interest rate risk.

All the other loans are denominated in RMB.

(c) The amounts due are based on scheduled repayment dates set out in the loan agreements.

## 26. Deferred Tax Liabilities

The followings are the major deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years:

| | Accelerated tax depreciation HK$'000 | Tax losses HK$'000 | Fair value adjustment arising from acquisition of subsidiaries HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2009 | 2,598 | (313) | — | 2,285 |
| (Credited)/charged to profit or loss (note 10) | (809) | 313 | — | (496) |
| At 31 March 2010 | 1,789 | — | — | 1,789 |
| Acquisition of subsidiaries (note 32) | — | — | 4,251 | 4,251 |
| Credited to profit or loss (note 10) | (484) | — | (96) | (580) |
| Exchange difference | — | — | 121 | 121 |
| **At 31 March 2011** | **1,305** | **—** | **4,276** | **5,581** |

At the end of the reporting period, the Group had unused tax losses of approximately HK$13,670,000 (2010: HK$5,171,000) available for offset against future profits. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$1,436,000 (2010: HK$2,030,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 27. Share Capital

| | Note | Number of Shares '000 | Amount HK$'000 |
|---|---|---|---|
| **Authorised:** | | | |
| Ordinary shares of HK$0.01 each | | | |
| At 1 April 2009, 31 March 2010, 1 April 2010 and 31 March 2011 | | 2,000,000 | 20,000 |
| **Issued and fully paid:** | | | |
| Ordinary shares of HK$0.01 each | | | |
| At 1 April 2009 | | 280,000 | 2,800 |
| Issue of shares by placing | (a) | 42,000 | 420 |
| At 31 March 2010 and 1 April 2010 | | 322,000 | 3,220 |
| Issue of shares by allotment | (b) | 6,800 | 68 |
| **At 31 March 2011** | | **328,800** | **3,288** |

Notes:

(a) On 2 February 2010, the Company and United Simsen Securities Limited entered into a placing agreement in respect of the placement of 42,000,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$1.20 per share. The placement was completed on 4 March 2010 and 15 March 2010 by two tranche of placing shares. The premium on the issue of shares, net of share issue expenses, amounting to approximately HK$48,810,000, was credited to the Company's share premium account.

(b) On 20 May 2010, the Company issued 6,800,000 ordinary shares of HK$0.01 each to Rising Sun (HK) Industrial Holdings Company Limited as part of the consideration to acquire the 56.05% equity interest in a subsidiary, Fully Chance. The premium on the issue of shares amounting to approximately HK$7,820,000 was credited to the Company's share premium account. (Note 32).

All the new shares rank pari passu with the existing shares in all respects.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 28. Reserves

(a) The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

### (b) Nature and purpose of reserves

***(i) Share premium account***

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

***(ii) Special reserve***

The special reserve of the Group arose as a result of the Reorganisation implemented and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the Reorganisation, over the nominal value of the share capital of the Company issued in exchange therefore.

The special reserve of the Company arose as a result of the Reorganisation implemented and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

***(iii) Share-based payment reserve***

The share-based payment reserve represents the fair value of the actual number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(m) to the consolidated financial statements.

***(iv) Foreign currency translation reserve***

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(f).

***(v) Statutory reserve***

The statutory reserve which is non-distributable, is appropriated from the profit after tax of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 29. Share-Based Payments

The Company's share option scheme (the "Scheme") was adopted on 5 February 2009 for a period of 10 years. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group. Under the Scheme, the Board of Directors may, at its absolute discretion and on such terms as it may think fit, grant an employee (full-time or part-time), a director, consultant and adviser of the Group, any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for ordinary shares of the Company (the "Shares") at the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer for the grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer for the grant of the option; and (iii) the nominal value of the Share on the date of offer for the grant of the option. The offer for a grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

The maximum number of Shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of all the issued shares upon completion of the Share Offer and the Capitalisation Issue. Therefore, it is expected that the Company may grant options in respect of up to 28,000,000 Shares to the participants under the Scheme. The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of extraordinary general meeting held on 5 February 2009.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

Share options granted can not be transferable or assignable and should be personal to the grantee.

Share options maybe exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the grant date subject to the provisions of early termination thereof. Share options will be lapsed if it remains unexercised within the expiry period. Share options granted to employee will be lapsed within a certain period of time if the grantee ceases to be an employee before the share options vested.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 29. Share-Based Payments (Continued)

Details of the specific categories of options are as follows:

| Grant date | 6 January 2010 | 6 January 2010 | 6 January 2010 | 17 May 2010 |
|---|---|---|---|---|
| Lot | 1 | 2 | 3 | 4 |
| Vesting period (note (a)) | 6 January 2010 to 5 January 2011 | 6 January 2010 to 5 January 2012 | 6 January 2010 to 5 January 2013 | 17 May 2010 to 12 November 2010 |
| Exercise period | 6 January 2011 to 5 January 2020 | 6 January 2012 to 5 January 2020 | 6 January 2013 to 5 January 2020 | 13 November 2010 to 16 May 2020 |
| Exercise price (note (b)) | HK$1.18 | HK$1.18 | HK$1.18 | HK$1.05 |
| Price of the Company's shares at the date of grant (note (c)) | HK$1.18 | HK$1.18 | HK$1.18 | HK$1.05 |

Notes:

(a) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.

(c) The price of the Company's share disclosed as at the date of the grant of the share options is the higher of the average of closing prices listed on the Stock Exchange for the five business days immediately preceding the date of the grant of the share options or the closing price at the date of grant.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 29. Share-Based Payments (Continued)

Details of the share options outstanding during the year are as follows:

| | Number of share options granted to directors | Weighted average exercise price HK$ | Number of share options granted to employees | Weighted average exercise price HK$ | Total number of share options | Weighted average exercise price HK$ |
|---|---|---|---|---|---|---|
| Outstanding at 1 April 2009 | – | – | – | | | |
| Granted during the year | 5,700,000 | 1.18 | 2,700,000 | 1.18 | 8,400,000 | 1.18 |
| Outstanding at 31 March 2010 | 5,700,000 | 1.18 | 2,700,000 | 1.18 | 8,400,000 | 1.18 |
| Exercisable at 31 March 2010 | – | | – | | – | |
| Outstanding at 1 April 2010 | 5,700,000 | 1.18 | 2,700,000 | 1.18 | 8,400,000 | 1.18 |
| Lapsed during the year | (1,000,000) | 1.18 | – | – | (1,000,000) | 1.18 |
| Granted during the year | 900,000 | 1.05 | 18,700,000 | 1.05 | 19,600,000 | 1.05 |
| Outstanding at 31 March 2011 | 5,600,000 | 1.16 | 21,400,000 | 1.07 | 27,000,000 | 1.09 |
| Exercisable at 31 March 2011 | 3,140,000 | 1.14 | 20,050,000 | 1.06 | 23,190,000 | 1.07 |

No share options have been exercised during both years ended 31 March 2010 and 2011. The options outstanding at 31 March 2011 have a weighted average remaining contractual life of 8.79 (2010: 9.77 years) and the exercise price of HK$1.07 (2010: HK$1.18).

At 31 March 2011, the number of shares in respect of which options have been granted and remained outstanding under the Scheme was 27,000,000 (2010: 8,400,000), representing 8.2% (2010: 2.6%) of the shares of the Company in issue at that date.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 29. Share-Based Payments (Continued)

The aggregate estimated fair value of the options granted during the year ended 31 March 2011 calculated using the Black-Scholes option pricing model was approximately HK$6,285,000 (2010: HK$ 3,315,000). The inputs into the model were as follows:

| Grant date | 6 January 2010 | 6 January 2010 | 6 January 2010 | 17 May 2010 |
|---|---|---|---|---|
| Lot | 1 | 2 | 3 | 4 |
| Option value | HK$0.3918 | HK$0.3959 | HK$0.3986 | HK$0.3207 |
| Total fair value | HK$1,563,000 | HK$873,000 | HK$879,000 | HK$6,285,000 |
| Share price at date of grant | HK$1.18 | HK$1.18 | HK$1.18 | HK$1.05 |
| Exercise price | HK$1.18 | HK$1.18 | HK$1.18 | HK$1.05 |
| Expected volatility | 50.45% | 49.61% | 49.02% | 52.08% |
| Risk-free interest rate | 2.01% | 2.10% | 2.20% | 1.75% |
| Expected life of options | 5.5 years | 6 years | 6.5 years | 5.24 years |
| Dividend yield | 3.90% | 3.90% | 3.90% | 4.38% |

The expected volatility was determined by calculating the historical volatility of the listed shares' price of similar companies in the same industry over a period that is equal to the expected life of the options before the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

## 30. Pledge of Assets

At the end of the reporting period, the following assets of the Group were pledged to banks to secure the general banking facilities granted to the Group:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Bank deposits (note 21) | **15,711** | 25,467 |
| Prepaid lease payments (note 15) | **15,504** | — |
| Property, plant and equipment (note 16) | **20,000** | 1,486 |
| | **51,215** | 26,953 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 31. Retirement Benefits Schemes

### Defined Contribution Plan

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The subsidiaries of the Group incorporated in Macau make monthly contributions to the social security fund managed by the relevant authority of the local government, which undertake the retirement obligations of the Group's employees in Macau. The Group has no obligation for payment of retirement benefits beyond the monthly contributions. The contributions payable are recognised as an expense to profit or loss as and when incurred.

The total contributions incurred in this connection for the year ended 31 March 2011 were approximately HK$4,013,000 (2010: HK$3,235,000). No forfeited contributions are available to reduce the contribution payable by the Group in the future years.

## 32. Acquisition of Subsidiaries

On 28 April 2010 ("date of acquisition"), the Group had acquired 56.05% equity interest in Fully Chance at a total consideration of approximately HK$17,327,000. The consideration was satisfied by cash payment of approximately HK$9,439,000 and the remaining balance was satisfied by the issue of 6,800,000 ordinary shares of the Company. As at the date of acquisition, the fair value of the consideration shares was approximately HK$7,888,000. Fully Chance is the legal and beneficial owner of 91% equity interest in Rising Sun Paper (Jiangxi) Co., Limited ("Rising Sun"), a sino-foreign joint venture enterprise established in the PRC. Rising Sun is principally engaged in manufacturing and processing of paper board, paper boxes and high-class packaging paper in the PRC.

Acquisition-related cost of approximately HK$250,000 had been recognised as expenses in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 32. Acquisition of Subsidiaries (Continued)

The consolidated net assets acquired in the transaction and the gain on bargain purchase arising are as follows:

| | **Acquirees' carrying amounts before combination** HK$'000 | **Fair value adjustments** HK$'000 | **Fair value** HK$'000 |
|---|---|---|---|
| Net assets acquired: | | | |
| Prepaid lease payments | 2,364 | 13,005 | 15,369 |
| Property, plant and equipment | 34,690 | 4,000 | 38,690 |
| Inventories | 11,604 | — | 11,604 |
| Trade receivables | 7,479 | — | 7,479 |
| Prepayments, deposits and other receivables | 14,002 | — | 14,002 |
| Pledged bank deposits | 2,689 | — | 2,689 |
| Bank and cash balances | 2,178 | — | 2,178 |
| Trade and bills payables | (7,840) | — | (7,840) |
| Accruals and other payables | (31,905) | — | (31,905) |
| Long-term borrowings | (5,486) | — | (5,486) |
| Deferred tax liabilities | — | (4,251) | (4,251) |
| | 29,775 | 12,754 | 42,529 |
| Less: Non-controlling interests | | | (20,837) |
| Gain on bargain purchase | | | (4,365) |
| Total consideration | | | 17,327 |
| Satisfied by: | | | |
| Cash | | | 9,439 |
| 6,800,000 ordinary shares of the Company | | | 7,888 |
| | | | 17,327 |
| Net cash outflow arising on acquisition: | | | |
| Consideration paid in cash | | | (9,439) |
| Less: cash and cash equivalents acquired | | | 2,178 |
| | | | (7,261) |

The fair value of the consideration shares of the Company was determined on the basis of the closing market price of the Company's ordinary shares on the date of acquisition.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 32. Acquisition of Subsidiaries (Continued)

The Group recognised a gain on bargain purchase of approximately HK$4,365,000 in the business combination. The business combination results in a gain on bargain purchase mainly because of the original shareholders' expectation for the future enhancement of Rising Sun's operation effectiveness that will be brought by the Group's expertise in the industry and the good relationship with major suppliers.

Fully Chance contributed approximately HK$82,141,000 to the Group's turnover and loss of approximately HK$4,756,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2010, the Group's total turnover for the period would have been approximately HK$704,202,000, and profit for the year would have been approximately HK$15,804,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2010, nor is intended to be a projection of future results.

## 33. Disposal of Subsidiaries

On 25 September 2009, the Group disposed of the entire interest in Bright Leader Holdings Limited and its subsidiary ("Bright Leader Group") to a related company wholly owned by a director (the "Disposal") at a total consideration of approximately HK$15,333,000.

Net assets at the date of disposal were as follows:

| | HK$'000 |
|---|---|
| Prepaid lease payments | 3,700 |
| Property, plant and equipment | 9,472 |
| Bank and cash balances | 2,478 |
| Other payables | (15,075) |
| Net asset value disposed of | 575 |
| Release of foreign currency translation reserve | (1,231) |
| Gain on disposal of subsidiaries | 15,989 |
| Total consideration — satisfied by cash | 15,333 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 15,333 |
| Cash and cash equivalents disposed of | (2,478) |
| | 12,855 |

There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiaries are not significant for the year ended 31 March 2010. The subsidiaries disposed of had no significant effect on the cash flow of the Group for the year ended 31 March 2010.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 34. Major Non-cash Transactions

As disclosed in note 32, the Group had acquired 56.05% equity interest in Fully Chance by issuing the Company's ordinary shares as part of consideration. The net cash outflow of the transaction was approximately HK$7,261,000 (2010: Nil).

## 35. Capital Commitments

The Group's capital commitments at the end of the reporting period are as follows:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Capital expenditure contracted but not provided for: | | |
| Purchase of property, plant and equipment | **41,591** | 7,393 |
| Additional capital contribution into a subsidiary | **21,300** | — |
| | **62,891** | 7,393 |

## 36. Lease Commitments

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Within one year | **18,498** | 13,996 |
| In the second to fifth year, inclusive | **129,666** | 27,921 |
| | **148,164** | 41,917 |

Operating lease payments represent rentals payable by the Group for certain land and buildings and motor vehicles. Leases are negotiated for terms ranged from 1 to 30 years and rentals are fixed over the lease terms and do not include contingent rentals.

### The Group as lessor

At the end of the reporting period, the Group had contracted with a tenant for the following future minimum lease payment within one year amounting to approximately HK$261,000 (2010: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 37. Related Party Transactions

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the reporting period:

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Interest charged to the Group by a non-controlling interest (note (i)) | **621** | — |
| Rental in respect of land and buildings paid to a related company owned by Mr. Chong and Mr. Chong Wa Pan (note (ii)) | **408** | 408 |
| Rental in respect of land and buildings paid to a related company owned by Mr. Chong (note (ii)) | **1,900** | 938 |
| Proceeds from disposal of subsidiaries received from a related company owned by Mr. Chong (note (ii)) | **—** | 15,333 |

Note:

(i) Interest was charged on an advance from a non-controlling interest as disclosed in note 23.

(ii) Transactions were conducted with terms mutually agreed with the contracting parties pursuant to signed agreements.

(b) The emoluments of the directors (representing key management personnel) during the year is set out in note 12(a).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 38. Particulars of Subsidiaries

Particulars of the subsidiaries as at 31 March 2011 are as follows:

| Name of subsidiary | Place of incorporation/ establishment | Issued and fully paid up share capital/ registered capital | Attributable equity interest | Principal activities/ place of operation |
|---|---|---|---|---|
| **Directly held** | | | | |
| Jumbo Match Limited | BVI | Ordinary US$1 | 100% | Investment holding/HK |
| **Indirectly held** | | | | |
| Central Dragon Limited | BVI | Ordinary US$1 | 100% | Investment holding/HK |
| Central Master Limited | BVI | Ordinary US$1 | 100% | Investment holding/HK |
| Century Shiny Investment Limited | Hong Kong | Ordinary HK$1,000,000 | 100% | Investment holding/HK |
| Chance Bright Limited — Macao Commercial Offshore | Macau | Ordinary MOP100,000 | 100% | Trading of corrugated raw paper and accessories/ Macau |
| Cheer Power (China) Limited | Hong Kong | Ordinary HK$10,000 | 100% | Inactive/HK |
| Cheer Fame Asia Limited | Hong Kong | Ordinary HK$10,000 | 100% | Investment holding/HK |
| Come Sure Development Limited | Hong Kong | Ordinary HK$60,000,000 | 100% | Investment and property holding/HK |
| Come Sure Group Limited — Macao Commercial Offshore | Macau | Ordinary MOP100,000 | 100% | Trading of corrugated paperboards and paper-based packaging products/Macau |
| Come Sure Holdings Limited | BVI | Ordinary US$13,500,000 | 100% | Investment holding and trading of corrugated paperboards and paper-based packaging products/HK |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 38. Particulars of Subsidiaries (Continued)

Particulars of the subsidiaries as at 31 March 2011 are as follows: (Continued)

| Name of subsidiary | Place of incorporation/ establishment | Issued and fully paid up share capital/ registered capital | Attributable equity interest | Principal activities/ place of operation |
|---|---|---|---|---|
| **Indirectly held** | | | | |
| 錦勝包裝(深圳)有限公司<br>Come Sure Packing Products (Shenzhen) Company Limited | PRC wholly foreign owned enterprise | Registered and paid up capital HK$248,980,000 | 100% | Trading and manufacturing of corrugated paperboards and paper-based packaging products/PRC |
| 錦勝紙業(深圳)有限公司<br>Come Sure Paper Industrial (Shenzhen) Company Limited | PRC wholly foreign owned enterprise | Registered capital HK$30,000,000 and paid up capital HK$21,500,000 (2010: HK$4,500,000) | 100% | Trading and manufacturing of corrugated paperboards and paper-based packaging products/PRC |
| Grade View Enterprises Group Limited | BVI | Ordinary US$1,000 | 100% | Investment holding/HK |
| * 惠州錦勝包裝有限公司<br>Huizhou Come Sure Packing Products Company Limited | PRC wholly foreign owned enterprise | Registered capital HK$22,000,000<br>Paid up capital HK$47,000,000 (2010: HK$10,500,000) | 100% | Not yet commenced business/PRC |
| Joy Honest Holdings Limited | Hong Kong | Ordinary HK$10,000 | 100% | Inactive/HK |
| Keen Rise International Development Limited | Hong Kong | Ordinary HK$100 | 100% | Trading of corrugated paperboards and paper-based packaging products/HK |
| Luck Sea Investment Limited | Hong Kong | Ordinary HK$1,000,000 | 100% | Provision of management service/HK |
| Speedy Concept Development Limited | Hong Kong | Ordinary HK$5,000 | 100% | Investment Holding/HK |
| * 華銘彩印(深圳)有限公司<br>Wah Ming Colour Printing (Shenzhen) Company Limited | PRC wholly foreign owned enterprise | Registered capital and paid up capital HK$47,000,000 (2010: HK$38,000,000) | 100% | Trading and manufacturing of offset printed corrugated paper-based packaging products/PRC |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 38. Particulars of Subsidiaries (Continued)

Particulars of the subsidiaries as at 31 March 2011 are as follows: (Continued)

| Name of subsidiary | Place of incorporation/ establishment | Issued and fully paid up share capital/ registered capital | Attributable equity interest | Principal activities/ place of operation |
|---|---|---|---|---|
| **Indirectly held** | | | | |
| Wah Ming International Limited | Hong Kong | Ordinary HK$2,000,000 | 100% | Trading and manufacturing of offset printed corrugated paper-based packaging products/PRC |
| * 錦勝包裝(泉州)有限公司 Come Sure Packing Products (Quanzhou) Co., Ltd | PRC wholly foreign owned enterprise | Registered capital and paid up capital HK$14,500,000 | 60% | Inactive/PRC |
| Mass Winner Holdings Limited | Hong Kong | Ordinary HK$6,000 | 100% | Investment Holding/HK |
| Turbo Best Holdings Limited | Hong Kong | Ordinary HK$10,000 | 60% | Investment Holding/HK |
| Fully Chance Holdings Limited | Hong Kong | Ordinary HK$10,000 | 56% | Investment Holding/HK |
| * 江西錦勝包裝有限公司 Jiangxi Come Sure Packing Products Company Limited | PRC wholly foreign owned enterprise | Registered capital and paid up capital HK$12,000,000 | 100% | Investment Holding/PRC |
| 協升紙業(江西)有限公司 Rising Sun Paper (Jiangxi) Co., Limited | PRC sino-foreign joint venture enterprise | Registered capital and paid up capital HK$31,200,000 | 51% | Trading and manufacturing of offset printed corrugated paper-based packaging products/PRC |

* The English names of this company represents management's best efforts in translating the Chinese name of these companies as no English names have been registered.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 39. Statement of Financial Position of the Company

| | 31/3/2011<br>HK$'000 | 31/3/2010<br>HK$'000 |
|---|---|---|
| **Non-current asset** | | |
| Investments in subsidiaries (Note (a)) | **172,506** | 146,713 |
| **Current assets** | | |
| Prepayments, deposits and other receivables | **590** | 190 |
| Amounts due from subsidiaries (Note (b)) | **181,719** | 122,971 |
| Bank balances | **7,539** | 62,519 |
| | **189,848** | 185,680 |
| **Current liabilities** | | |
| Accruals and other payables | **160** | 641 |
| Amounts due to subsidiaries (Note (b)) | **39,494** | 32,197 |
| Financial guarantee contracts (Note (c)) | **18,334** | 1,582 |
| | **57,988** | 34,420 |
| **Net current assets** | **131,860** | 151,260 |
| **NET ASSETS** | **304,366** | 297,973 |
| **Capital and reserves** | | |
| Share capital | **3,288** | 3,220 |
| Reserves (Note (d)) | **301,078** | 294,753 |
| **TOTAL EQUITY** | **304,366** | 297,973 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 39. Statement of Financial Position of the Company (Continued)

Notes:

### (a) Investments in subsidiaries

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Unlisted investment, at cost | **141,631** | 141,631 |
| Deemed capital contribution to subsidiaries | **30,875** | 5,082 |
| | **172,506** | 146,713 |

### (b) Amounts due from/to subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

### (c) Financial guarantee contracts

At 31 March 2011, the Company has issued guarantees of approximately HK$492,000,000 (2010: HK$342,000,000) and unlimited corporate guarantees to banks in respect of the banking facilities granted to eleven (2010: seven) subsidiaries of the Group.

The directors do not consider it probable that a claim will be made against the Company under any of the above guarantees and the maximum liability of the Company at the end of the reporting period in respect of the above guarantees is the amount of bank loans drawn by its subsidiaries under the guarantees at that date of approximately HK$58,927,000 (2010: HK$30,226,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

## 39. Statement of Financial Position of the Company (Continued)

### (d) Reserves

| | Share premium HK$'000 (note 28(b)(i)) | Special reserve HK$'000 (note 28(b)(ii)) | Share-based payment reserve HK$'000 (note 28(b)(iii)) | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **At 1 April 2009** | 83,812 | 141,681 | — | 32,451 | 257,944 |
| Profit for the year | — | — | — | 405 | 405 |
| Issue of shares by placing (note 27(a)) | 49,980 | — | — | — | 49,980 |
| Share issue expenses | (1,170) | — | — | — | (1,170) |
| Share-based payments | — | — | 474 | — | 474 |
| Dividend recognised as distribution (note 13) | — | — | — | (12,880) | (12,880) |
| **At 31 March 2010** | 132,622 | 141,681 | 474 | 19,976 | 294,753 |
| **At 1 April 2010** | 132,622 | 141,681 | 474 | 19,976 | 294,753 |
| Loss for the year | — | — | — | (1,203) | (1,203) |
| Issue of shares by allotment (note 27(b)) | 7,820 | — | — | — | 7,820 |
| Share-based payments | — | — | 7,928 | — | 7,928 |
| Dividend recognised as distribution (note 13) | — | — | — | (8,220) | (8,220) |
| **At 31 March 2011** | **140,442** | **141,681** | **8,402** | **10,553** | **301,078** |

## 40. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.