



# COME SURE

## Group (Holdings) Limited

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

### 2011 INTERIM REPORT



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# 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:

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

## PROPERTY 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](http://www.comesure.com)

## COMPANY SECRETARY

Mr. HUNG Man Yuk, Dicsen 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 Des 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

# Management Discussion and Analysis

## BUSINESS OVERVIEW

During the six months ended 30 September 2011, amid the global economy in great turmoil over European debt crisis, the economic growth in China is only slightly affected and is estimated to achieve a GDP growth at around 9%. More importantly, concerned about the low contribution of consumption to GDP, PRC government decided to switch from investment and export to domestic consumption for driving the Chinese economic growth, which not only reduces the adverse impact of global fluctuation on Chinese economy, but also provides huge opportunities for packaging and paper industry, as commodities such as electronic goods require large amount of specialized packaging.

In addition, the current macro conditions, including high borrowing rates of PRC banks and recession in the West are forcing small and uncompetitive paper-based packaging suppliers out of the market. Such inevitable market integration implies that top suppliers such as like the Group can have a higher market share. With effective measures against challenges from rising raw materials and labour costs in PRC, the Group can sustain a satisfactory profitability.

Responding to the global conditions, the Group continued to place emphasis on expanding domestic sales. Also, the Group dedicated greater efforts on exploring opportunities from existing and potential high-end customers in order to provide extra security to the Group's turnover. Being the leading professional packaging designer in the market, the Group also strengthened the service towards high-end customers to provide more space-efficient, cost-saving and high quality packaging, thus further enhancing the working relationships with these customers and boosting the margins.

Regarding capacity expansion, construction of the new plant in Fujian Province, which has a site area of approximately 80,000 square meters and an annual production capacity of 100 million square meters of corrugated paper, is expected to complete by late 2012, while the Huidong plant is undergoing test running, and the estimated capacity can reach 100 million corrugated paper cartons and 100 million square meters of corrugated paper. Such expansion enables the Group to capture future opportunities in the market.

## RESULT OF OPERATION

	30 September 2011		30 September 2010	
	HK\$'000	(%)	HK\$'000	(%)
PRC domestic sales revenue	189,132	47.2	159,773	47.5
Domestic delivery export sales revenue	190,039	47.4	159,339	47.3
Direct export sales to Hong Kong revenue	21,736	5.4	17,423	5.2
Total sales	400,907		336,535	
Gross profit ratio		17.8		18.7
Net profit ratio*		2.7		3.2

\* net profit ratio before change in fair value of financial instruments and share-based payment

# Management Discussion and Analysis

## REVENUE

In the period under review, the Group has been able to capture market opportunities, withstand the disturbances in global market and maintained stable performance. During the period, the Group recorded a turnover of approximately HK\$400.9 million, up by approximately 19.1% over the corresponding period in 2010.

### Shenzhen Operation

The turnover generated from the operations in Shenzhen amounted to approximately HK\$351.6 million, increased by approximately 17.2% as compared with the corresponding period in 2010.

### Jiangxi operation

The operation in Jiangxi recorded a turnover of approximately HK\$49.3 million, surged by approximately 35.1% as compared with the corresponding period in 2010, which mainly contributed by corrugated carton sales surged during the period.

## GROSS PROFITS

The Group's gross profits for the six months ended 30 September 2011 increased by approximately 12.7% from approximately HK\$63.0 million in 2010 to approximately HK\$71.4 million in 2011. Due to rising raw materials and labour costs, the Group's gross profit margin slightly decreased from approximately 18.7% to 17.8%.

### Shenzhen operation

The gross profits contributed by the operations in Shenzhen for the six months ended 30 September 2011 increased by approximately 10.7% from approximately HK\$58.2 million in 2010 to approximately HK\$64.4 million in 2011. The Group strived to maintain the gross margin by production controls, and developments of custom designed and high value added paper-wares products. However, the labour cost in Shenzhen areas, and the raw materials cost increased rapidly during the period under review, which resulted the gross profit margin slightly decreased by approximately 1.1% from approximately 19.4% in 2010 to approximately 18.3% in 2011.

### Jiangxi operation

For the six months ended 30 September 2011, the Jiangxi operation contributed approximately HK\$7.0 million gross profit to the Group, increased by approximately 45.8% as compared with last corresponding period. The gross profit margin also improved from approximately 13.1% to approximately 14.3% and represented our initial success in shifting the focus on relatively lower margin paper board to high value added paper-wares products.

# Management Discussion and Analysis

## SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

The selling and distribution expenses for the six months ended 30 September 2011 increased by approximately 41.2% from approximately HK\$13.1 million in 2010 to approximately HK\$18.5 million in 2011. The increment was mainly due to the rising of sales and increase of transportation cost.

The Administrative expenses for the six months ended 30 September 2011 rose by approximately 12.7% from approximately HK\$35.5 million in 2010 to approximately HK\$40.0 million in 2011, reflecting mainly the provision of sales tax of approximately HK\$3.1 million in Jiangxi operation.

## OTHER OPERATING EXPENSES

The other operating expenses decreased from approximately HK\$336,000 in last corresponding period to approximately HK\$53,000 for the six months ended 30 September 2011, which was mainly caused by that the loss on disposal of property, plant and equipment of approximately HK\$304,000 in 2010.

## FINANCE COST

The finance cost increased from approximately HK\$0.86 million for the six months ended 30 September 2010 to approximately HK\$1.4 million for the period under review. Additional bank loans were raised to finance the new production plant and approximately HK\$0.5 million was attributed to the other loan interests in Jiangxi operation.

## WORKING CAPITAL

	Turnover days	
	30 September 2011	31 March 2011
Trade receivables	86	67
Trade payables	46	31
Inventories	44	47
Cash conversion cycle	84	83

The trade and bills receivables were approximately HK\$214.0 million as at 30 September 2011, increased by approximately 31.0% against approximately HK\$163.3 million as at 31 March 2011, such increase was mainly caused by the increase of sales during the period and the peak season effect near the end of the period.

The trade receivable turnover days was increased by 19 days from 67 days for the year ended 31 March 2011 to 86 days for the six months ended 30 September 2011. It was mainly resulted from the Group's active readjustment of the sales mix in targeting renowned and high end customers, and in view of the relatively lower credit risks for such target customers group, longer credit periods were normally granted.

In order to match the longer credit period granted, the Group adopted certain funds management, as a result, the trade and bills payables also increase by approximately 42.3% from approximately HK\$68.7 million as at 31 March 2011 to approximately HK\$97.8 million as at 30 September 2011.

# Management Discussion and Analysis

## WORKING CAPITAL *(Continued)*

The trade payable turnover day therefore increased by 15 days from 31 days for the year ended 31 March 2011 to 46 days for the six month ended 30 September 2011.

The inventories carried a total worth of approximately HK\$83.1 million as at 30 September 2011, which increased by approximately 11.7% as compared with approximately HK\$74.4 million as at 31 March 2011. The inventories turnover days slightly went down by 3 days from 47 days for the year ended 31 March 2011 to 44 days for the six months ended 30 September 2011. The Group will continue to implement stringent inventories control to reduce the holding risk.

## LIQUIDITY AND FINANCIAL RESOURCES

	30 September 2011	31 March 2011
Current ratio	1.5	2.3
Gearing ratio*	17.6%	9.2%

\* Being end of period/year total bank borrowings and long term borrowings divided by end of period/year total assets, multiplied by 100%.

As at 30 September 2011, the Group's total cash and cash equivalents were mostly denominated in Hong Kong Dollar and Renminbi, bank balances and cash amounted to approximately HK\$118.9 million, excluding pledged deposits of approximately HK\$33.4 million (as at 31 March 2011: approximately HK\$138.9 million).

The current assets and current liabilities of the Group increased from approximately HK\$424.5 million and approximately HK\$188.6 million as at 31 March 2011 to approximately HK\$521.5 million and approximately HK\$342.2 million as at 30 September 2011 respectively, and the current ratio dropped from approximately 2.3 to approximately 1.5.

Total outstanding bank and other borrowing increased from approximately HK\$62.5 million as at 31 March 2011 to approximately HK\$148.0 million as at 30 September 2011. The increase of borrowings was mainly attributed to the loans for raw materials to meet the peak season during the period, and additional bank loan was raised to finance the new plants. The gearing ratio therefore increased from approximately 9.2% to approximately 17.6%.

As at 30 September 2011, the short-term bank borrowings amounted to approximately HK\$112.0 million (as at 31 March 2011: approximately HK\$49.2 million). At 30 September 2011 and 31 March 2011, all short-term bank borrowings are arranged at floating rates.

The long-term borrowings amounted to approximately HK\$35.9 million (as at 31 March 2011: approximately: HK\$13.3 million), including a carrying amount of bank loans of approximately HK\$18.2 million that are not repayable within one year from the end of reporting period but contain a repayment on demand clause, which shown under current liabilities. At 30 September 2011 and 31 March 2011, all bank loans are arranged at floating rates, and the other loans are arranged at fixed rate of 5.0%

Although the gearing ratio increased, the Group still maintained a healthy financial position and possess with sufficient cash and banking facilities to meet the working capital requirement and finance investment in new production plants.



# Management Discussion and Analysis

## 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 period, the Group entered into certain forward contracts amounted to approximately RMB25.7 million and increased its Renminbi deposits to hedge against the exchange risks of Renminbi appreciation. The Group will closely monitor its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

## CHARGE OF ASSETS

As at 30 September 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\$66.1 million (as at 31 March 2011: approximately HK\$51.2 million) to secure banking facilities granted to the Group.

## CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 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\$32.1 million (as at 31 March 2011: approximately HK\$41.6 million) and approximately HK\$21.3 million (as at 31 March 2011: approximately HK\$21.3 million) respectively. As at 30 September 2011, the Group has no significant contingent liabilities (as at 31 March 2011: Nil).

## EMPLOYEE AND REMUNERATION

As at 30 September 2011, the Group employed approximately 1,520 employees (as at 31 March 2010: approximately 1,330 employees). Competitive remuneration packages and relevant training were offered to the employees. Total staff cost including directors' emolument amount to approximately HK\$43.0 million (2010: approximately HK\$38.1 million). Employees' 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, qualification and competence, the Group's results, and the prevailing market condition.

## PROSPECT

It is expected that the European debt crisis will last for a prolonged period, which may slow down exports of China. On the other hand, growth momentum of PRC remains strong, and the increasing demand for various consumer goods is making PRC one of the fastest growing consumer of corrugated paper and packaging products in the world.

In order to cater the rising demand, the Group will continue to make focused effort to capture the upcoming opportunities in PRC market. The Group will further strengthen the sales network centered on by Shenzhen, Jiangxi, Huidong and Fujian plants. The Group will continue to seek cooperation opportunities with high-end customers with considerable scale. The Group will also keep improving its services, including design and logistics, so as to provide better total solutions of packaging to customers to create greater differentiation from peers.

Regarding internal operation, the Group will strive to control production costs and enhance production efficiency to maintain satisfactory profit margins. The Huidong plant will be put into production as soon as possible after the trial running while the Fujian plant will start construction in near future. The expanded capacity is going to consolidate the leading position of the Group in the market, enabling the Company to deliver fruitful returns to its shareholders.

## Changes of Information of Directors

The following sets out the change and the updated information regarding Mr. LAW Tze Lun, an independent non-executive Director, as required under Rule 13.51B(1) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the period under review:

### **EXPERIENCE INCLUDING OTHER DIRECTORSHIPS AND MAJOR APPOINTMENTS**

Mr. LAW Tze Lun had resigned as an independent non-executive director of China Automotive Interior Decoration Holdings Limited, which is listed on the GEM Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), with effect from 9 September 2011.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the period under review.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2011, the interests and short positions of the directors of the Company ("Directors") or chief executives of the Company in the shares (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/ underlying 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 <sup>#</sup>	0.52%
Mr. CHONG Wa Pan (Notes 1 & 3)	Beneficiary of a discretionary trust	213,830,000	65.03%
	Beneficial owner	1,200,000 <sup>#</sup>	0.36%
Mr. CHONG Wa Ching (Notes 1 & 3)	Beneficiary of a discretionary trust	213,830,000	65.03%
	Beneficial owner	600,000 <sup>#</sup>	0.18%
Mr. CHONG Wa Lam (Notes 1 & 3)	Beneficiary of a discretionary trust	213,830,000	65.03%
	Beneficial owner	600,000 <sup>#</sup>	0.18%
Mr. CHAU On Ta Yuen	Beneficial owner	500,000 <sup>#</sup>	0.15%
Ms. TSUI Pui Man	Beneficial owner	500,000 <sup>#</sup>	0.15%
Mr. LAW Tze Lun	Beneficial owner	500,000 <sup>#</sup>	0.15%

<sup>#</sup> These long positions represent the share options granted to the respective Directors under the share option scheme of the Company. Each share option shall entitle the holder thereof to subscribe for one Share.

## Other Information

### 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:

- The entire issued shares of Perfect Group Version Limited ("Perfect Group") are held by Jade City Assets Limited, which in turn is 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 Chau is the founder, an executive Director and the Chairman of the Board. Mr. CHONG Kam Chau is the sole director of Perfect Group and therefore Mr. CHONG Kam Chau is deemed or taken to be interested in the entire issued shares of Perfect Group 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 under the SFO.
- 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 of the CHONG Family Trust, are deemed or taken to be interested in entire issued shares of Perfect Group and the 213,830,000 Shares held by Perfect Group 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 30 September 2011.

## Other Information

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in the Shares

Name	Capacity/Nature	Number of shares	Percentage of issued Shares (approximately)
Perfect Group (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 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, 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. Under the SFO, Jade City Assets Limited and HSBC International Trustee Limited are deemed or taken to be interested in all the Shares held by Perfect Group.
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 of the Company held by Mr. CHONG Kam Chau (including the 1,700,000 share options held by Mr. CHONG Kam Chau) and Perfect Group 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 of the Company held by Mr. CHONG Wa Pan (including the 1,200,000 share options held by Mr. CHONG Wa Pan), Mr. CHONG Kam Hung, Mr. CHONG Kam Shing and Ms. CHONG Sum Yee under the SFO.

## Other Information

### **PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2011, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities.

### **PLACING OF UNLISTED WARRANTS**

On 14 September 2011, the Company entered into a warrant placing agreement with Astrum Capital Management Limited (the "Placing Agent") whereby the Company appointed the Placing Agent to procure not less than six placees (the "Placees") to subscribe for up to 20,000,000 warrants (the "Warrants") at the placing price of HK\$0.01 per Warrant (the "Warrant Placing").

The Warrants entitled the Placees to subscribe for a maximum of 20,000,000 new shares of the Company at an initial subscription price of HK\$1.00 per share, subject to adjustments, at any time from the date of issue of the Warrants to the expiry of 24 months of the issue of the Warrants.

The Warrant Placing was completed on 12 October 2011 for which an aggregate of 20,000,000 Warrants had been successfully placed to not less than six Placees.

The net proceeds from the Warrant Placing of approximately HK\$30,000 and the allotment and issue of the shares pursuant to the exercise of the Warrants are intended to be used as general working capital of the Group and for future investment opportunities as and when they arise.

### **CORPORATE GOVERNANCE**

The Board is committed to maintain an 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 the code provisions set out in the 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 six months period ended 30 September 2011.

### **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 to Listing Rules as the standard for securities transactions by the Directors.

All the members of the Board have confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the six months ended 30 September 2011.

### **AUDIT COMMITTEE**

The main duties of the Audit Committee are to consider the relationship of external auditors, to review the 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, who is also the Chairman of the Audit Committee, Mr. CHAU On Ta Yuen and Ms. TSUI Pui Man.

The Audit Committee has reviewed with management this report and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2011, the accounting principles and practices adopted, internal controls and financial reporting matters.

## Other Information

### SHARE OPTION SCHEME

Details of the share options outstanding as at 30 September 2011 under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK\$) (Note 1)	Share options held on 31 March 2011	Share options granted during the period	Share options exercised during the period	Share options cancelled/lapsed during the period	Share options held as at 30 September 2011
<b>Executive Directors of the Company</b>								
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. 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
<b>Independent Non-executive Directors of the Company (Note 1)</b>								
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
				500,000	—	—	—	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
				500,000	—	—	—	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
				500,000	—	—	—	500,000
<b>Seventeen other eligible participants of the Group (Note 2)</b>								
	6 January 2010	6 January 2011 to 5 January 2020	1.18	900,000	—	—	(120,000)	780,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	675,000	—	—	(90,000)	585,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	675,000	—	—	(90,000)	585,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	14,350,000	—	—	—	14,350,000
				16,600,000	—	—	(300,000)	16,300,000
<b>Three other eligible participants of the Group (Note 1)</b>								
	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
				4,800,000	—	—	—	4,800,000
				27,000,000	—	—	(300,000)	26,700,000

## Other Information

### SHARE OPTION SCHEME *(Continued)*

Notes:

1. All the share options granted to the three independent non-executive Directors and three other eligible participants of the Group on 6 January 2010 would vest on the first anniversary of the date(s) on which they respectively accepted the grant of share options (the “Acceptance Date”).
2. An employee has resigned as a senior management of the Group and his last working day was 31 March 2011. Pursuant to the Share Option Scheme of the Company, all options granted to the employee lapsed on the expiry of 3 months after the date of cessation of employment (i.e. 30 June 2011).
3. Save as disclosed in Note (1) above, 40% of the remaining share options granted on 6 January 2010 would vest on the first anniversary of the Acceptance Date(s), the remaining 60% would vest as to 30% on each of the second anniversary and the third anniversary of the Acceptance Date(s), such that the share options granted will be fully vested on the third anniversary of the Acceptance Date(s). All the share options granted on 17 May 2010 would vest on the 180th day after the Acceptance Date(s).

### 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 at 30 September 2011.

### SUBSEQUENT EVENT

On 10 November 2011, Jumbo Match Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (“MOU”) with Deson Technology Limited (the “Vendor”) and Mr. Feng Linyi (one of the founders of qq.com as confirmed by Mr. Feng) in respect of a possible acquisition (“Possible Acquisition”) of 51% of the issued share capital of Think Speed Group Limited (together with its subsidiaries, the “Target Group”), which is principally engaged in development and design of online games and operating online game website. Pursuant to the MOU, a member of the Target Group also intended to enter into a management agreement with a shareholder of Shenzhen Thinksky Technology Co., Ltd. (“Shenzhen Thinksky”) in respect of the 80.01% equity interest in Shenzhen Thinksky. Shenzhen Thinksky is principally engaged in development, design and provision of iTools, a synchronization software for mobile products, to PRC local users and operating website(s) and will be partly owned by a company established in the PRC, which, as advised by the Vendor and Mr. Feng, is an indirect wholly-owned subsidiary of Tencent Holdings Limited. For details, please refer to the announcement of the Company dated 10 November 2011.



# Condensed Consolidated Income Statement

For the six months ended 30 September 2011

	Note	Six months ended 30 September	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
<b>Turnover</b>	4	400,907	336,535
Cost of goods sold		(329,461)	(273,506)
<b>Gross profit</b>		71,446	63,029
Other income		834	1,509
Selling expenses		(18,530)	(13,108)
Administrative expenses		(40,424)	(35,507)
Other operating expenses		(53)	(336)
Increase in fair value of forward contracts		576	—
Decrease in fair value of equity linked notes		(927)	—
Decrease in fair value of held for trading investment		(5,288)	—
Share-based payment		(301)	(5,805)
<b>Profit from operations</b>		7,333	9,782
Finance costs	5	(1,358)	(861)
Gain on bargain purchase		—	4,361
Gain on disposal of a subsidiary		9	—
<b>Profit before tax</b>		5,984	13,282
Income tax expense	6	(1,253)	(4,016)
<b>Profit for the period</b>	7	4,731	9,266
<b>Attributable to:</b>			
Owners of the Company		6,623	11,883
Non-controlling interests		(1,892)	(2,617)
		4,731	9,266
<b>Earnings per share</b>	8		
Basic and diluted		2.01 cents	3.63 cents
<b>Dividends</b>	9	—	—

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
<b>Profit for the period</b>	4,731	9,266
<b>Other comprehensive income/(expense) after tax:</b>		
Exchange differences on translating foreign operations	14,322	7,970
Net loss from cash flow hedge	(1,163)	—
<b>Other comprehensive income for the period, net of tax</b>	13,159	7,970
Total comprehensive income for the period	17,890	17,236
<b>Total comprehensive income/(expense) for the period attributable to:</b>		
Owners of the Company	19,183	19,588
Non-controlling interests	(1,293)	(2,352)
	17,890	17,236

# Condensed Consolidated Statement of Financial Position

At 30 September 2011

	Note	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
<b>Non-current assets</b>			
Prepaid lease payments		41,385	40,506
Property, plant and equipment	10	234,896	174,949
Deposits paid for prepaid lease payments		19,638	19,012
Deposits paid for acquisition of property, plant and equipment		17,951	17,373
Investment properties		420	420
Available for sales financial assets		5,000	—
Club membership		366	366
		<b>319,656</b>	<b>252,626</b>
<b>Current assets</b>			
Inventories		83,094	74,401
Trade and bills receivables	11	214,040	163,281
Prepayments, deposits and other receivables		26,459	20,041
Amount due from non-controlling interest of a subsidiary		3	—
Prepaid lease payments		910	881
Tax prepaid		6,935	3,427
Held for trading investments		3,720	7,877
Foreign currency forward contracts		576	—
Equity linked notes		33,480	—
Pledged bank deposits		33,403	15,711
Bank and cash balances		118,871	138,853
		<b>521,491</b>	<b>424,472</b>
<b>Current liabilities</b>			
Trade and bills payables	12	97,751	68,732
Accruals and other payables		87,608	51,787
Dividend payables		150	—
Interest rate swap		1,163	—
Amounts due to non-controlling interests of subsidiaries	13	7,216	7,177
Short-term bank borrowings		112,008	49,238
Current tax liabilities		320	359
Current portion of long-term borrowings		35,942	11,274
		<b>342,158</b>	<b>188,567</b>
<b>Net current assets</b>		<b>179,333</b>	<b>235,905</b>
<b>Total assets less current liabilities</b>		<b>498,989</b>	<b>488,531</b>
<b>Non-current liabilities</b>			
Amounts due to non-controlling interests of subsidiaries	13	11,238	10,880
Long-term borrowings		—	1,979
Deferred tax liabilities		5,722	5,581
		<b>16,960</b>	<b>18,440</b>
<b>NET ASSETS</b>		<b>482,029</b>	<b>470,091</b>
<b>Capital and reserves</b>			
Share capital	14	3,288	3,288
Reserves		461,135	447,907
Equity attributable to owners of the Company		464,423	451,195
Non-controlling interests		17,606	18,896
<b>TOTAL EQUITY</b>		<b>482,029</b>	<b>470,091</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

(Unaudited)

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Share-based	Foreign	Hedging reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
				payment reserve HK\$'000	currency translation reserve HK\$'000						
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 period	—	—	—	—	7,705	—	—	11,883	19,588	(2,352)	17,236
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	20,833	20,833
Allotment of shares	68	7,820	—	—	—	—	—	—	7,888	—	7,888
Share-based payments	—	—	—	5,805	—	—	—	—	5,805	—	5,805
Dividend paid	—	—	—	—	—	—	—	(8,220)	(8,220)	—	(8,220)
Change in equity for the period	68	7,820	—	5,805	7,705	—	—	3,663	25,061	18,481	43,542
At 30 September 2010	3,288	140,442	105,309	6,279	47,951	—	18,126	117,663	439,058	18,481	457,539
At 1 April 2011	3,288	140,442	105,309	8,402	51,496	—	18,126	124,132	451,195	18,896	470,091
Total comprehensive income/ (expense) for the period	—	—	—	—	13,723	(1,163)	—	6,623	19,183	(1,293)	17,890
Disposal of a subsidiary	—	—	—	—	—	—	—	(9)	(9)	3	(6)
Share option lapsed	—	—	—	(18)	—	—	—	18	—	—	—
Share-based payments	—	—	—	301	—	—	—	—	301	—	301
Dividend paid	—	—	—	—	—	—	—	(6,247)	(6,247)	—	(6,247)
Change in equity for the period	—	—	—	283	13,723	(1,163)	—	385	13,228	(1,290)	11,938
At 30 September 2011	3,288	140,442	105,309	8,685	65,219	(1,163)	18,126	124,517	464,423	17,606	482,029

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2011

	Note	Six months ended 30 September	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (Restated)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>21,341</b>	<b>(11,538)</b>
Purchases of property, plant and equipment		(66,957)	(21,031)
Proceeds from disposals of property, plant and equipment		131	5,301
Net cash outflow from acquisition of subsidiaries	16	—	(7,261)
(Increase)/decrease in pledged bank deposits		(17,692)	18,810
Increase in deposits paid for prepaid lease payments		(626)	(12,070)
Increase in deposits paid for acquisition of property, plant and equipment		(578)	(139)
Purchase of available-for-sale investments		(5,000)	—
Purchase of trading investments		(1,131)	—
Purchase of equity linked notes		(34,407)	—
Interest received		524	300
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(125,736)</b>	<b>(16,090)</b>
(Repayment)/drawing of trust receipts loans, net		(33,255)	32,431
Bank loans raised		122,325	5,888
Repayment of bank and other loans		(3,714)	(2,227)
Cash advance from non-controlling interests of a subsidiary		—	11,805
Dividends paid		(6,097)	(8,192)
Interest paid		(1,358)	(861)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>77,901</b>	<b>38,844</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(26,494)</b>	<b>11,216</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>6,512</b>	<b>5,246</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>138,853</b>	<b>163,857</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>118,871</b>	<b>180,319</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		118,871	180,319

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 1. GENERAL INFORMATION

The Company was incorporated on 10 March 2006 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P. O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is Units 8–10, 8/F Cornell Centre, 50 Wing Tai Road, Chai Wan, Hong Kong.

## 2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2011 except as stated below.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### Adoption of new and revised HKFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs has had no material effect on the amounts in these condensed financial statements and disclosures set out in these condensed financial statements.

### New and revised HKFRSs that are not yet effective

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

The following new or revised standards, amendments and interpretation have been issued after the date the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (Revised)	Employee Benefits <sup>1</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

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

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 4. TURNOVER AND SEGMENTAL INFORMATION

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

### Segmental information

The chief operating decision makers have been identified as the executive directors of the Company (“the Executive 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 followings is an analysis of the Group’s revenue and results by reportable segment:

For the six months ended 30 September 2011

	Corrugated products HK\$'000 (unaudited)	Offset printing corrugated products HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue</b>				
External sales	329,347	71,560	—	400,907
Inter-segment sales	30,824	19,688	(50,512)	—
<b>Total</b>	<b>360,171</b>	<b>91,248</b>	<b>(50,512)</b>	<b>400,907</b>
<b>Segment results</b>	<b>8,936</b>	<b>2,882</b>		<b>11,818</b>
Interest income				524
Gain on disposal of a subsidiary				9
Corporate expenses				(6,367)
<b>Profit before tax</b>				<b>5,984</b>

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 4. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

For the six months ended 30 September 2010

	Corrugated products HK\$'000 (unaudited)	Offset printing corrugated products HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue</b>				
External sales	271,527	65,008	—	336,535
Inter-segment sales	42,224	18,366	(60,590)	—
<b>Total</b>	313,751	83,374	(60,590)	336,535
<b>Segment results</b>	19,364	2,942		22,306
Interest income				2
Gain on bargain purchase				4,361
Corporate expenses				(13,387)
<b>Profit before tax</b>				13,282

The accounting policies of the reportable segments are the same as those adopted by the Group in preparing the 2011 financial statements of the Group. Segment profits or losses represented the profit earned/loss incurred by each segment without allocation of gain on disposal of subsidiary, gain on bargain purchase and corporate income and expenses. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.



# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 4. TURNOVER AND SEGMENTAL INFORMATION (Continued)

### Segment assets

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

	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>At 30 September 2011</b>			
<b>Segment assets</b>	707,619	118,820	826,439

	Corrugated products HK\$'000 (audited)	Offset printed corrugated products HK\$'000 (audited)	Total HK\$'000 (audited)
<b>At 31 March 2011</b>			
<b>Segment assets</b>	551,495	100,537	652,032

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.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 5. FINANCE COSTS

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Interest on:		
bank borrowings		
— wholly repayable within five years	850	435
other loans		
— wholly repayable within five years	201	426
amount due to a non-controlling interest		
— not wholly repayable within five years	307	—
	1,358	861

## 6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
PRC enterprise income tax (“EIT”)		
Current tax	1,253	4,016
	1,253	4,016

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period (2010: Nil). Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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 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.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 6. INCOME TAX EXPENSE (Continued)

A portion of the Group's profits 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.

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\$58,380,000 (31 March 2011: approximately HK\$56,518,000) 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 30 September 2011, the provision for taxation made in the consolidated financial statements is sufficient and not excessive. During the six months ended 30 September 2011, the Group has purchased tax reserve certificates amounting to HK\$3,500,000.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 7. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Auditors' remuneration	—	239
Cost of inventories sold	329,461	273,506
Operating lease charges in respect of land and buildings	8,457	7,535
Net (gain)/loss on disposals of property, plant and equipment	(12)	304
Gain on disposal of a subsidiary	(9)	—
Allowance for bad and doubtful debts	—	32
Net foreign exchange loss	1,495	1,638
Depreciation for property plant and equipment	13,995	10,288
Amortisation of prepaid lease payments	449	424
<b>Total depreciation and amortisation</b>	<b>14,444</b>	<b>10,712</b>
Directors' emoluments		
Salaries and allowance	2,519	1,849
Share-based payments	204	864
Retirement benefits scheme contributions	24	24
	<b>2,747</b>	<b>2,737</b>
Staff costs (excluding directors)		
Other staff salaries, bonus and allowances	38,114	27,718
Share-based payments	97	4,941
Retirement benefits scheme contributions	2,056	2,662
	<b>40,267</b>	<b>35,321</b>

Cost of inventories sold includes staff costs, depreciation and operating lease charges totalled approximately HK\$42,118,000 (2010: HK\$32,896,000) which are included in the amounts disclosed separately above.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 8. 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 for the six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Profit for the period attributable to owners of the Company	6,623	11,883

	Number of shares for the six months ended 30 September	
	2011 (unaudited)	2010 (unaudited)
Issued and issuable ordinary shares at beginning of period	328,800,000	322,000,000
Effect of shares issued under allotment	—	4,979,235
Weighted average number of ordinary shares at end of period	328,800,000	326,979,235

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 six months ended 30 September 2011 and 2010, those outstanding share options granted, which amounted to 26,700,000 and 27,000,000 shares as at 30 September 2011 and 2010 respectively, had no dilutive effect on earnings per share for the six months ended 30 September 2011 and 2010.

## 9. DIVIDENDS

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Dividend recognised as distribution during the period		
2011 Final dividend — HK1.9 cents (2010: HK2.5 cents) per share	6,247	8,220

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group acquired property, plant and equipment of approximately HK\$66,957,000.

## 11. TRADE AND BILLS 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:

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Trade receivables:		
Not yet due for settlement	167,115	102,439
Overdue:		
1 to 30 days	22,441	33,778
31 to 90 days	14,055	21,217
91 to 365 days	5,049	4,815
Over 1 year	8,292	6,651
	216,952	168,900
Less: Allowance for bad and doubtful debts	(5,756)	(5,619)
Trade receivables, net	211,196	163,281
Bills receivables	2,844	—
	214,040	163,281

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 12. TRADE AND BILLS PAYABLES

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

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Trade payables:		
0 to 30 days	52,513	51,582
31 days to 90 days	2,075	675
Over 90 days	625	743
	55,213	53,000
Bills payables	42,538	15,732
	97,751	68,732

## 13. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
The amount due is repayable as follows:		
Within one year	7,216	7,177
In the second year	1,220	1,180
In the third to fifth years, inclusive	3,757	4,723
After five years	6,261	4,977
	18,454	18,057
Less: Amount due for settlement within 12 months (shown under current liabilities)	(7,216)	(7,177)
Amount due for settlement after 12 months	11,238	10,880

The amount of USD1,500,000 due to a non-controlling interest of a subsidiary, Fully Chance Holdings Limited ("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 Condensed Financial Statements

For the six months ended 30 September 2011

## 14. SHARE CAPITAL

	Note	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 each			
At 1 April 2010, 31 March 2011 and 30 September 2011		2,000,000	20,000
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.01 each			
At 1 April 2010		322,000	3,220
Issue of shares by placing	(a)	6,800	68
At 31 March 2011 and 1 April 2011		328,800	3,288
Issue of shares by allotment		—	—
At 30 September 2011		328,800	3,288

Note:

- (a) 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.



# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 15. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted on 5 February 2009. A summary of the principal terms of the Scheme is set out in the 2011 annual financial statements of the Company.

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:

- The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- 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.
- The price of the Company's share disclosed as at the date of grant of the share options is the higher of the average of closing price 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.

Details of the share options outstanding during the period 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 2011	5,600,000	1.16	21,400,000	1.07	27,000,000	1.09
Lapsed during the period	—	—	(300,000)	1.18	(300,000)	1.18
Outstanding at 30 September 2011	5,600,000	1.16	21,100,000	1.06	26,700,000	1.08
Exercisable at 30 September 2011	3,140,000	1.14	19,750,000	1.06	22,890,000	1.07

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 15. SHARE-BASED PAYMENTS (Continued)

No share options have been exercised during the period. The options outstanding at 30 September 2011 have a weighted average remaining contractual life of 8.45 years (2010: 9.53 years) and the exercise price of HK\$1.07 (2010: HK\$1.09).

At 30 September 2011, the number of shares in respect of which options have been granted and remained outstanding under the Scheme was 26,700,000 (2010: 27,000,000), representing 8.1% (2010: 8.2%) of the shares of the Company in issue at that date.

The aggregate estimated fair value of the options granted during the year ended 31 March 2011 and the six months period ended 30 September 2011 calculated using the Black-Scholes option pricing model was approximately HK\$3,315,000 and HK\$6,285,000 respectively. 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.

## 16. CAPITAL COMMITMENTS

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

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Capital expenditure contracted but not provided for:		
Purchase of property, plant and equipment	32,130	41,591
Additional capital contribution into a subsidiary	21,300	21,300
	53,430	62,891

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2011

## 17. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2011 (At 31 March 2011: Nil).

## 18. RELATED PARTY TRANSACTIONS

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:

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Interest charged to the Group by a non-controlling interest (note (i))	307	—
Rental in respect of land and buildings paid to a related company owned by Mr. Chong and Mr. Chong Wa Pan (note (ii))	204	294
Rental in respect of land and buildings paid to a related company owned by Mr. Chong (note (ii))	989	951

Notes:

- (i) Interest was charged on an advance from a non-controlling interest as disclosed in note 13.
- (ii) Transactions were conducted with terms mutually agreed with the contracting parties pursuant to signed agreements.

## 19. SEASONALITY

The Group's sales are subject to seasonal fluctuation, with the demand for corrugated packaging products concentrated in the second-half year as resulting from higher demand for consumer products during the National Day Golden Week and the Christmas holiday. The effect of peak season is started in late of June each year, which led to rising of sales and the trade and bills receivables. Meanwhile, production climbing upward with the sales incurred significant raw materials purchase that result in an increased balances of trade and bills payables as well as the short term bank borrowings at the end of the interim reporting period.

## 20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the presentation of the annual report for the year ended 31 March 2011.

## 21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 November 2011.