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The following discussion and analysis should be read in conjunction with our audited combined financial information together with the accompanying notes, as set forth in the accountants' report set out in Appendix I to this prospectus. Our financial statements have been prepared in accordance with the HKFRSs. The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. You should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

We are principally engaged in the production of Phthalic anhydride (PA) and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins.

PA can be applied in the manufacture of construction materials, automotive parts, coatings and other consumer products produced by flexible PVC such as cables, pipes, clothes and shoes, as well as dyes and pigments through the production of polyester resins, alkyd resins and plasticisers. Fumaric acid is generally used (i) in beverages and baking powders; (ii) in the manufacture of polyester resins and polyhydric alcohols; (iii) as a mordant for dyes; and (iv) as acidity regulator, acidifier and spice. It is also used in the production of various carbonic acid drink, wine, concentrated solid drink, ice cream and other cold foods and drink.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flow of our Group for the Track Record Period have been prepared and included the financial information of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of our Group as at 31 March 2009, 31 March 2010 and 31 March 2011 and 31 October 2011 have been prepared to present the assets and liabilities of our Group as at those dates as if the current group structure had been in existence at those dates.

RESULTS OF OPERATIONS OF OUR GROUP

The following table is a summary of our Group's audited combined results during the Track Record Period as extracted from the accountants' report as set out in Appendix I to this prospectus and our Group's unaudited combined results for the seven months ended 31 October 2010. You should read this section in conjunction with the accountants' report as set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

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Combined statements of comprehensive income

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Turnover	175,363	231,125	202,727	123,606	149,413
Cost of sales	(157,226)	(194,456)	(166,341)	(105,063)	(129,985)
Gross profit	18,137	36,669	36,386	18,543	19,428
Other revenue	379	132	638	382	427
Selling expenses	(610)	(348)	(449)	(259)	(381)
Administrative expenses	(3,854)	(3,837)	(7,625)	(5,331)	(5,590)
Gain on disposal of subsidiaries and an associate	–	5,379	–	–	–
Profit from operations	14,052	37,995	28,950	13,335	13,884
Finance costs	(3,239)	(2,552)	(3,550)	(1,980)	(2,351)
Share of losses of an associate ..	(1,076)	(751)	–	–	–
Profit before taxation	9,737	34,692	25,400	11,355	11,533
Taxation	(94)	(2,690)	(3,354)	(1,647)	(1,630)
Profit for the year/period	9,643	32,002	22,046	9,708	9,903
Other comprehensive income for the year/period, net of tax:					
Exchange difference on translation of foreign operations	983	240	4,136	1,876	3,264
Total comprehensive income for the year/period, net of tax	10,626	32,242	26,182	11,584	13,167
Profit attributable to:					
Owners of our Company	9,653	32,003	22,046	9,708	9,903
Non-controlling interests	(10)	(1)	–	–	–
	9,643	32,002	22,046	9,708	9,903
Total comprehensive income attributable to:					
Owners of our Company	10,633	32,243	26,182	11,584	13,167
Non-controlling interests	(7)	(1)	–	–	–
	10,626	32,242	26,182	11,584	13,167
Earnings per Share attributable to owners of our Company					
– Basic and diluted (cents)...	4.83	16.00	11.02	4.85	4.95

Note: The calculation of the basic earnings per Share for the Track Record Period is based on the combined profit attributable to the owners of our Company for each of the relevant year/period, and on the basis of 200,000,000 Shares in issue during such year/period on the assumption that the Reorganisation, the Capitalisation Issue and the Share Offer have become effective on 1 April 2008.

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PRINCIPAL COMBINED STATEMENTS OF COMPREHENSIVE INCOME COMPONENTS

The following is an overview of the major turnover and expense components contributing to the audited trading records of our Group during the Track Record Period:

Turnover

Our turnover during the Track Record Period was mainly derived from the sale of PA and fumaric acid. The following summarises the turnover contribution by our Group's major product groups:

- (i) PA This anhydride of phthalic acid, a colourless solid in white semi-transparent needle-like crystallised powder, is an important industrial chemical, especially for the large-scale production of plasticisers of plastics. PA is widely used in polyester resins, alkyd resins, and plasticisers for applications in the manufacture of construction materials and components of automotive, coating, and other consumer products. PA's three principal uses are (i) phthalate plasticisers used in the compounding of PVC resins; (ii) the UPRs used in glass-reinforced thermoset engineering applications; and (iii) alkyd resins used mainly for surface coatings.

For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the sales of PA contributed approximately 84.2%, 89.9%, 84.6% and 86.4% respectively to our Group's total turnover, making it the largest turnover contributor during the Track Record Period.

- (ii) Fumaric acid Fumaric acid is a white crystalline compound. Fumaric acid is used in the manufacture of polyester resins and polyhydric alcohols and as a mordant of dyes.

Fumaric acid has bacteriostatic and antiseptic functions. It can be used as acidity regulator, acidifier and spice. It is also widely used in producing various carbonic acid drink, wine, concentrated solid drink, ice cream and other cold foods and drink. To the best knowledge and understanding of our Directors, the customers of fumaric acid applied fumaric acid as raw materials of other chemicals, such as the mordant for dyes and acidifier etc., for industrial purposes only.

For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the sales of fumaric acid contributed approximately 11.1%, 7.9%, 12.5% and 13.5% respectively to our Group's total turnover.

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During the Track Record Period, most of the fumaric acid was produced by MA obtained from the production of PA. Our Group did not have any sales commitment for the sale of fumaric acid during the Track Record Period and up to the Latest Practicable Date. Despite the temporary reduction in MA derived from the production process of PA during the scheduled catalyst replacement process in February 2011, considering that the sale of fumaric acid would contribute positive gross profit to our Group, our Group has sourced MA from independent suppliers to compensate the shortfall in MA supplies derived from the production of PA in order to maximise our profit and utilise the production capacity of fumaric acid. The purchases of MA in the year ended 31 March 2011 and the period ended 31 October 2011 by our Group were not arisen as a consequence of unexpected interruptions in the production of PA. Our Company has no intention to source MA from independent suppliers in the event that the MA obtained from the production of PA is sufficient for the production of fumaric acid.

The major product of our Company, PA, is widely used in the production of inedible industrial products, among others, polyester resins, alkyd resins, and plasticisers, whereas fumaric acid can be used in food and beverages products. During the Track Record Period, our Group was not aware of any incidents that our Group's products were found in food and beverage products.

Our Group usually sells the major raw material, OX to customers when there are excess raw materials and such sales are profitable. For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, sales of raw material contributed approximately 1.1%, 2.1%, 2.6% and nil respectively to our Group's total turnover.

Our Group also, as a non-core business, sold properties and earned rental income before April 2010 through the Other Companies. For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, such income contributed approximately 3.4%, 0.1%, nil and nil respectively to our Group's total turnover. To focus on the core business of sales and manufacture of PA and fumaric acid, our Group disposed of the Other Companies, which were principally engaged in the businesses of selling and leasing of properties and hotel management, in March 2010. Prior to the disposal of 廈門英大房地產有限公司 (Xiamen Ying Da Real Estate Co., Ltd.*) on 19 March 2010, the Other Companies contributed losses of approximately HK\$947,000 and HK\$1,272,000 for the years ended 31 March 2009 and 2010 respectively.

Selling price of our products

PA

Competition and demand significantly affect the pricing of our products. Although the market of PA in the PRC is competitive. We sell our products to customers on a market basis. The weighted average selling price of our Group's PA per tonne for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was HK\$8,801, HK\$7,668, HK\$8,981 and HK\$11,072 respectively. The decrease of weighted average selling price of PA from HK\$8,801 per tonne for the year ended 31 March 2009 to HK\$7,668 per tonne for the year ended 31 March 2010 was mainly due to the substantial decrease in market price of PA in the first half of 2009 following the global economic downturn in the second half of 2008. The weighted average selling price of PA of our Group increased to HK\$8,981 per tonne for the year ended 31 March 2011 and further increase to HK\$11,072 per tonne for the seven months ended 31 October 2011 were due to the increase in market price of PA which was mainly contributed by the recovery of global economy and increase in market price of OX, as the market price of PA has a high correlation with that of OX.

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Fumaric acid

The weighted average selling price of our Group's fumaric acid per tonne for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was HK\$6,949, HK\$6,618, HK\$8,098 and HK\$8,764 respectively. The decrease in weighted average selling price of fumaric acid from HK\$6,949 per tonne for the year ended 31 March 2009 to HK\$6,618 per tonne for the year ended 31 March 2010 was mainly due to the decrease in market price of fumaric acid in the first half of 2009 following the global economic downturn in the second half of 2008. The increase in weighted average selling price of fumaric acid of our Group to HK\$8,098 per tonne for the year ended 31 March 2011 and HK\$8,764 per tonne for the seven months ended 31 October 2011 were primarily due to the increase in market price of fumaric acid which was mainly contributed by the recovery of global economy.

Analysis on our turnover by product

During the Track Record Period, we sold all of our products in the PRC. The following table illustrates our turnover by product categories for the relevant years/periods indicated:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of PA	147,582	207,768	171,569	108,313	129,114
Sale of fumaric acid (<i>Note 1</i>)..	19,528	18,293	25,371	9,753	20,149
Sale of raw materials	2,016	4,769	5,254	5,198	—
Sale of other by-products of PA (<i>Note 2</i>)	311	238	533	342	150
Others	5,926	57	—	—	—
	<u>175,363</u>	<u>231,125</u>	<u>202,727</u>	<u>123,606</u>	<u>149,413</u>

Notes:

- 1 During the Track Record Period and up to the Latest Practicable Date, our Group did not purchase fumaric acid for sale.
- 2 Other by-products of PA includes *o*-xylene in water and mixture of MA and maleic acid (excluding dangerous and controlled chemicals).

Seven months ended 31 October 2011 comparing to the seven months ended 31 October 2010

Our turnover for the seven months ended 31 October 2011 increased by approximately 20.9% compared to the seven months ended 31 October 2010, as a result of the increases of sales of both PA and fumaric acid. The increase in sales of PA, mainly contributed by the increase in the weighted average selling price of PA per tonne from HK\$8,606 for the seven months ended 31 October 2010 to HK\$11,072 for the seven months ended 31 October 2011 as a result from the increase in market price of OX, which compensated the decrease of sales volume of PA from 12,585 tonnes to 11,662 tonnes. As it took time for the production facilities to restore the optimal production efficiency subsequent to the replacement of catalysts which was completed in February 2011, despite the production efficiency of our Group was progressively restored to the optimal production level, the total production volume of PA was reduced during the seven months ended 31 October 2011 and consequently, the sales of PA were also decreased with fewer PA produced.

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The increase of sale of fumaric acid of approximately 106.6% from approximately HK\$9.8 million for the seven months ended 31 October 2010 to approximately HK\$20.1 million for the seven months ended 31 October 2011 was mainly due to the increase in weighted average selling price of fumaric acid from HK\$7,871 per tonne for the seven months ended 31 October 2010 to HK\$8,764 per tonne for the seven months ended 31 October 2011, and the increase in volume of fumaric acid sold from 1,239 tonnes for the seven months ended 31 October 2010 to 2,299 tonnes for the seven months ended 31 October 2011 because of the strong market demand of fumaric acid during the seven months ended 31 October 2011.

Year ended 31 March 2011 comparing to year ended 31 March 2010

Turnover of our Group recorded a decrease of approximately 12.3% for the year ended 31 March 2011 compared to the year ended 31 March 2010. Such decrease in turnover was mainly attributable to, among other things, the suspension of PA production for approximately 52 days during the year ended 31 March 2011 due to the replacement of catalysts used in production of PA, resulting in the decrease in the production volume of PA from approximately 25,900 tonnes for the year ended 31 March 2010 to approximately 19,800 tonnes for the year ended 31 March 2011.

As a result, the sales volume of PA decreased from 27,095 tonnes for the year ended 31 March 2010 to 19,104 tonnes for the year ended 31 March 2011. The adverse effect was partly offset by the rise of weighted average selling price of PA per tonne from HK\$7,668 for the year ended 31 March 2010 to HK\$8,981 for the year ended 31 March 2011 and also the increase of sales volume of fumaric acid from 2,764 tonnes for the year ended 31 March 2010 to 3,133 tonnes for the year ended 31 March 2011.

The increase of sale of fumaric acid of approximately 38.7% from approximately HK\$18.3 million for the year ended 31 March 2010 to approximately HK\$25.4 million for the year ended 31 March 2011 was mainly due to the increase in weighted average selling price of fumaric acid from HK\$6,618 per tonne for the year ended 31 March 2010 to HK\$8,098 per tonne for the year ended 31 March 2011, and the increase in volume of fumaric acid sold from 2,764 tonnes for the year ended 31 March 2010 to 3,133 tonnes for the year ended 31 March 2011 because of the strong market demand of fumaric acid during the year ended 31 March 2011.

Year ended 31 March 2010 comparing to year ended 31 March 2009

Our Group experienced satisfactory growth in turnover of approximately 31.8% for the year ended 31 March 2010. Such growth in turnover was mainly attributable to the increased sales of our products as a result of the economic rebound boosting the global demand for chemicals as well as our higher production utilisation rate.

The decrease of sale of fumaric acid of approximately 6.3% from approximately HK\$19.5 million for the year ended 31 March 2009 to approximately HK\$18.3 million for the year ended 31 March 2010 was mainly due to the decrease in weighted average selling price of fumaric acid from HK\$6,949 per tonne for the year ended 31 March 2009 to HK\$6,618 per tonne for the year ended 31 March 2010.

For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, turnover from our five largest customers accounted in aggregate for approximately 84.2%, 89.9%, 88.9% and 76.3% respectively, of our total turnover. We sometimes receive payment on or before the delivery and may allow settlement within 30 days from certain of our long standing customers with good payment history. For the years ended 31 March 2009, 2010 and 2011 and the

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seven months ended 31 October 2011, there were three, two, three and eight of our long standing customers who were allowed to settle the balances within 30 days. Historically, we have not experienced any doubtful debts on trade receivables or bills receivable.

Cost of sales

During the Track Record Period, the cost of inventories sold represented more than 99.0% of the total cost of sales of our Group. Our cost of inventories sold consists of the cost associated with the manufacture of our products, which primarily comprises raw materials consumed, depreciation of property, plant and equipment, labour costs and other direct manufacturing overhead including the cost of catalyst.

Purchase cost of our raw materials

The weighted average purchase price of our major raw material, OX, per tonne for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was HK\$7,843, HK\$7,271, HK\$8,251 and HK\$11,203 respectively. The decrease of weighted average purchase price of OX from HK\$7,843 per tonne for the year ended 31 March 2009 to HK\$7,271 per tonne for the year ended 31 March 2010 was mainly due to the substantial decrease in market price of OX in the first half of 2009 following the global economic downturn in the second half of 2008. The weighted average purchase price of OX of our Group bounced back to HK\$8,251 per tonne for the year ended 31 March 2011 and further increase to HK\$11,203 per tonne for the seven months ended 31 October 2011 were due to the increase in market price of OX which was mainly contributed by the recovery of global economy and increase in crude oil price. The tighter market supply of OX mainly attributable to the suspension of OX production by a major local supplier since July 2011, is another reason for the higher weighted average purchase price of OX for the seven months ended 31 October 2011. The suspension of OX production of the major local suppliers was due to the breakdown of the production facilities of the supplier in July 2011. The production of OX by the supplier was resumed in November 2011. Given that we have maintained amiable long-term clientele relationships with many of our suppliers, our Group was able to source OX from other suppliers after the incident. The incident did not result in any shortage of OX to our Group and our production volume remained stable since the incident. Save for the higher weighted average purchase price of OX as a result of, among other things, the incident, the suspension of OX production by the major supplier since July 2011 did not have any material impact on the business, results of operation and financial performance of our Group.

During the Track Record Period, such suspension of supply of OX only happened once. Our Directors believe that the pattern for supply of raw material might be peculiar in this instance because many of the local OX suppliers are state-owned enterprises which might have different manufacturing policies not entirely driven by market demand. However, we do not see any parallel pattern in other chemical industries, nonetheless, the suspension of supply in this incident was an isolated event and there is no domino effect that affects other local OX suppliers.

Our Group has maintained amiable long-term clientele relationships with our suppliers over the years of operations, regardless if one of the suppliers fails to supply raw materials to us, our Group can still easily locate alternate suppliers for the supply of raw materials at competitive price. Our Group will continue to maintain and broaden our supplier base and solicit other suppliers which could provide raw materials at terms and quality acceptable to us in order to ensure a stable supply of raw materials.

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Analysis on our cost of sales by natures

The following table shows the breakdown of the cost of sales of our Group during the Track Record Period:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Cost of PA sold	148,938	188,675	158,336	99,598	126,357
Cost of fumaric acid sold.....	754	1,048	3,032	705	3,341
Cost of raw materials sold.....	2,218	4,638	4,777	4,726	—
Cost of property sold	3,073	—	—	—	—
Cost of rental income.....	1,641	27	—	—	—
Other taxes	602	68	196	34	287
	<u>157,226</u>	<u>194,456</u>	<u>166,341</u>	<u>105,063</u>	<u>129,985</u>

Note: As other by products of PA generated internally represents incidental products obtained from the normal production process of PA with no additional costs are required, there are no costs incurred which are directly attributable to the production of other by-products of PA. There is no direct or overhead cost associate with the production of other by-products of PA. As such, there are no reasonable basis of cost allocation and no cost incurred directly for the production of PA is allocated to the cost of production of other by-products of PA.

Cost of PA sold

The cost of PA sold for the seven months ended 31 October 2011 increased by approximately 26.9%, compared to the seven months ended 31 October 2010, at a rate faster than the sales growth of PA when the price increment for PA lagged behind the drastic increase in market price of OX initiated by the sudden tighter market supply of OX as a result of the suspension of OX production by a major local supplier since July 2011.

The cost of PA sold decreased by approximately 16.1% for the year ended 31 March 2011 compared to the year ended 31 March 2010, which was mainly due to the fall of quantity of PA sold from 27,095 tonnes for the year ended 31 March 2010 to 19,104 tonnes for the year ended 31 March 2011 as a result of the suspension of PA production for approximately 52 days during the year ended 31 March 2011.

The cost of PA sold of our Group increased by approximately 26.7% for the year ended 31 March 2010 compared to that for the year ended 31 March 2009 mainly due to the significant increase in quantity of PA sold from 16,769 tonnes for the year ended 31 March 2009 to 27,095 tonnes for the year ended 31 March 2010 due to the recovery of global economy. The increase was partially offset by the decrease in weighted average cost of PA from HK\$8,882 per tonne for the year ended 31 March 2009 to HK\$6,963 per tonne for the year ended 31 March 2010. The decrease of weighted average cost of PA sold, amongst others, was mainly due to the decrease in average purchase price of OX from HK\$7,843 per tonne for the year ended 31 March 2009 to HK\$7,271 per tonne for the year ended 31 March 2010.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the cost of catalysts recognised as cost of sales of our Group were approximately HK\$872,000, HK\$834,000, HK\$746,000 and HK\$658,000 respectively.

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Cost of fumaric acid sold

The cost of fumaric acid sold for the seven months ended 31 October 2011 increased by approximately 373.9% compared to the seven months ended 31 October 2010 mainly due to the increase in the weighted average cost of fumaric acid sold from HK\$569 per tonne for the seven months ended 31 October 2010 to HK\$1,453 per tonne for the seven months ended 31 October 2011, together with the increase of quantity of fumaric acid sold from 1,239 tonnes for the seven months ended 31 October 2010 to 2,299 tonnes for the seven months ended 31 October 2011. The significant increase in the weighted average cost of fumaric acid because our Group had purchased MA, the predominant component for the production of fumaric acid, from independent suppliers during the seven months ended 31 October 2011 in order to better utilise the production capacity for fumaric acid whereas no MA was purchased from independent suppliers during the seven months ended 31 October 2010.

The cost of fumaric acid sold increased by approximately 189.3% for the year ended 31 March 2011 compared to that for the year ended 31 March 2010 mainly due to the increase in the weighted average cost of fumaric acid sold from HK\$379 per tonne for the year ended 31 March 2010 to HK\$968 per tonne for the year ended 31 March 2011. The significant increase in the weighted average cost of fumaric acid because our Group began to purchase MA, the predominant component for the production of fumaric acid, from independent suppliers since December 2010 when the quantity of self-produced MA is insufficient to fully utilise the capacity of fumaric acid production subsequent to the expansion.

The cost of fumaric acid sold increased by approximately 39.0% for the year ended 31 March 2010 compared to that for the year ended 31 March 2009 mainly due to the increase in the weighted average cost of fumaric acid sold from HK\$268 per tonne for the year ended 31 March 2009 to HK\$379 per tonne for the year ended 31 March 2010 as our Group had incurred additional costs, such as staff costs, consumable and machinery parts in order to improve the maintenance of the machineries for production and production volume of fumaric acid. The increase was partially offset by the decrease in quantity of fumaric acid sold from 2,810 tonnes for the year ended 31 March 2009 and 2,764 tonnes for the year ended 31 March 2010.

Cost of raw materials sold

The cost of raw materials sold remained relatively stable for the year ended 31 March 2011 compared to that of the year ended 31 March 2010.

The cost of raw materials sold increased by approximately 109.1% for the year ended 31 March 2010 compared to that of the year ended 31 March 2009 mainly due to the increase of quantity of raw material sold from 260 tonnes for the year ended 31 March 2009 to 567 tonnes for the year ended 31 March 2010.

Our Group sold OX, the major raw materials used for production of PA, during the years ended 31 March 2009, 2010 and 2011 when (i) there was request from customers with good business relationship; and (ii) our Group has excess OX for our production of PA. For the seven months ended 31 October 2011, there was no request from customers for of selling of raw materials. As such, no sales of raw materials were recorded.

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Gross profit and gross profit margin

The following table shows the fluctuation of our turnover, gross profit and gross profit margin during the Track Record Period:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Turnover.....	175,363	231,125	202,727	123,606	149,413
Gross profit	18,137	36,669	36,386	18,543	19,428
Gross profit margin	10.3%	15.9%	17.9%	15.0%	13.0%
	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of PA	147,582	207,768	171,569	108,313	129,114
Gross profit/(loss) (<i>Note 1</i>) ...	(1,356)	19,093	13,233	8,715	2,757
Gross profit/(loss) margin	(0.9%)	9.2%	7.7%	8.0%	2.1%
	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of fumaric acid (<i>Note 2</i>)..	19,528	18,293	25,371	9,753	20,149
Gross profit (<i>Note 1</i>)	18,774	17,245	22,339	9,048	16,808
Gross profit margin	96.1%	94.3%	88.0%	92.8%	83.4%
	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of raw materials	2,016	4,769	5,254	5,198	—
Gross profit/(loss) (<i>Note 1</i>) ...	(202)	131	477	472	—
Gross profit/(loss) margin	(10.0%)	2.7%	9.1%	9.1%	—

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	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of other by products of PA (Note 3).....	311	238	533	342	150
Gross profit (Note 1).....	311	238	533	342	150
Gross profit margin	100%	100%	100%	100%	100%

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of property and rental income.....	5,926	57	—	—	—
Gross profit (Note 1).....	1,212	30	—	—	—
Gross profit margin	20.5%	52.6%	—	—	—

Notes:

- 1 Other taxes were determined by a number of factors, among others, the sales of products and purchases of raw materials by our Group. As our Group's major products, PA and fumaric acid are mainly produced from the same raw material, OX, based on our Directors' opinion, there is no reasonable basis in allocating the other taxes to individual products of our Group. As such, our gross profit/(loss) by product shown in the above table excluded the other taxes as disclosed under the paragraph headed "Cost of sales" in this section.
- 2 During the Track Record Period and up to the Latest Practicable Date, our Group did not purchase fumaric acid for sale.
- 3 Other by-products of PA includes o-xylene in water and mixture of MA and maleic acid (excluding dangerous and controlled chemicals). As other by products of PA generated internally represents incidental products obtained from the normal production process of PA with no additional costs are required, there are no costs incurred which are directly attributable to the production of other by-products of PA. There is no direct or overhead cost associate with the production of other by-products of PA. As such, there are no reasonable basis of cost allocation and no cost incurred directly for the production of PA is allocated to the cost of production of other by-products of PA.

During the Track Record Period, the time between the agreement of prices of raw materials with suppliers and the delivery of raw materials to our Group was approximately four to six weeks, the average time for keeping raw materials in storage facilities before using for production of PA was approximately four weeks and the production process of PA normally takes about five to seven days. Thus, the purchase prices of OX normally lags behind the market prices of PA for approximately eight to ten weeks before it is being used for production.

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The cost of sales of our Group is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. The purchase cost of OX, which constitutes the principal component of cost of inventory of PA, will be accounted for in the cost of inventory of PA in the same month it is purchased. The weighted average costing method is less reactive, than other costing method such as first-in-first-out, to changes in the cost of materials as it takes into account average of historical costs of OX, in particular, the lead time (i) between the agreement of prices of raw materials with suppliers and the delivery of raw materials; (ii) for keeping raw materials in our Group's storage facility before using for productions; and (iii) in the production and sales of PA.

In the event that the market prices of both PA and OX rise in the same time, the cost of sales, which takes into account the weighted average historical purchase costs of OX, will increase in a smaller magnitude than the selling price of PA, which is the current market price being the highest price during the upward trend. Considered that the direct costs and overhead costs of production remain relatively stable and will not be affected by the change in market prices of OX and PA, our gross profit margin will be improved when the market prices for both PA and OX are on an upward trend. On the other hand, our gross profit margin will be adversely affected when the market prices for PA and OX are on a downward trend at the same time. Our Directors consider that the price fluctuation in PA usually associated with corresponding price fluctuation in OX, as such, our Group does not have any policy to mitigate the risks of fluctuation in OX and PA prices as at the Latest Practicable Date.

We mainly produced fumaric acid from MA derived in production of PA. As MA was obtained from the production process of PA without any extra processing work, no direct and overhead costs related to the production process of PA was allocated to the production of MA. As such, the gross profit margin of fumaric acid during the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was higher than that of PA.

Factors affecting our Group's gross profit and gross profit margin

Our Group's gross profit and gross profit margin were affected by various factors including, among others, the cost of raw materials, the selling prices of our products, the production lead time and the production capacity utilisation rate during the Track Record Period. The selling prices of PA and fumaric acid in the PRC are not determined by the government, but determined with reference to the market demand and supply of PA and fumaric acid and the prices of raw materials. On the other hand, the cost of raw materials of our production is mainly affected by prices of OX throughout the Track Record Period, which is the principal raw material for our production. The prices of OX, PA and fumaric acid are subject to fluctuations due to various factors beyond our Group's control, such as global economic situation, price of crude oil and the supply and demand in the PRC and overseas markets. As such, our Group's business and profitability may be affected by the fluctuations in the price and availability of OX, PA and fumaric acid and there is no assurance that our Group will be able to maintain or improve our existing level of gross profit margin and net profit margin in the future.

However, the management of our Group will strive to maintain the gross profit and gross profit margin of our Group through certain procedures including (i) closely monitor of the weighted average purchase cost of our raw materials; (ii) determine the pricing of our products by taking into consideration our cost structure; and (iii) negotiate with our customers to arrive at a price and terms acceptable to both parties with reference to the market price of products. Based on the above consideration, our Directors consider that our Group will be able to maintain the level of gross profit margin during the Track Record Period.

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Analysis on our gross profit and gross profit margin in respect of PA

Seven months ended 31 October 2011 comparing to the seven months ended 31 October 2010

Gross profit for the sale of PA for the seven months ended 31 October 2011 decreased by approximately 68.4%, as compared to the seven months ended 31 October 2010, which was mainly due to the further increase in the weighted average cost of PA to HK\$10,835 per tonne from HK\$7,914 per tonne, and the decrease in quantity of PA sold from 12,585 tonnes for the seven months ended 31 October 2010 to 11,662 tonnes for the seven months ended 31 October 2011. The decrease in sales volume of PA mainly because of the replacement of catalysts which was finished in February 2011. As it took about four to six months for the production facilities to restore the optimal production efficiency, despite the production efficiency of our Group was progressively restored to the optimal production level, fewer PA produced resulted in fewer PA sold during the seven months ended 31 October 2011. In order to expand our market and improve the profitability of our project, we intend to broaden our market coverage and customer base by expanding our existing sales to nearby locations around Fujian Province in the PRC such as Guangzhou and Zhejiang province. With the increase market coverage and customer base, our Group will have more bargaining power in selling our products to customers. In addition, we expect to achieve economies of scale upon further expansion in our production capacity which can reduce per unit overhead costs of our projects. For details of our strategies and business objectives, please refer to paragraph headed “Our strategies and business objectives” in the section headed “Business” in this prospectus.

Year ended 31 March 2011 comparing to year ended 31 March 2010

For the year ended 31 March 2011, our gross profit for the sale of PA decreased by approximately 30.7% compared to the year ended 31 March 2010. The decrease was mainly attributable to, among other things, the suspension of PA production for approximately 52 days. The suspension decreased the production volume of PA from approximately 25,900 tonnes for the year ended 31 March 2010 to approximately 19,800 tonnes for the year ended 31 March 2011 which also resulted in the decrease in the sales volume of PA from 27,095 tonnes for the year ended 31 March 2010 to 19,104 tonnes for the year ended 31 March 2011. In addition, the decrease in gross profit margin for the sale of PA also contributed to the decrease in our gross profit. Our gross profit margin for the sale of PA recorded a decrease from approximately 9.2% for the year ended 31 March 2010 to approximately 7.7% for the year ended 31 March 2011, mainly due to the increase in the weighted average cost of PA by approximately 19% from HK\$6,963 per tonne to HK\$8,288 per tonne offsetted by the increase in weighted average selling price of PA by approximately 17% from HK\$7,668 for the year ended 31 March 2010 to HK\$8,981 per tonne for the year ended 31 March 2011.

Year ended 31 March 2010 comparing to year ended 31 March 2009

For the year ended 31 March 2010, our gross profit for the sale of PA improved to approximately HK\$19.1 million from gross loss of approximately HK\$1.4 million for the year ended 31 March 2009, and our gross margin also improved from gross loss margin of 0.9% for the year ended 31 March 2009 to gross profit margin of 9.2% for the year ended 31 March 2010. The main reasons for the improved gross profit margin were the significant sales growth as well as the contrast between the general downward market price trend for the year ended 31 March 2009 and the upward price trend for the year ended 31 March 2010.

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Due to the financial crisis in the second half of 2008, the cost of raw materials and other manufacturing costs decreased during the year ended 31 March 2009 and remained stable for the first half of the year ended 31 March 2010. Considered that the weighted average costing method is less reactive to the change in price of materials, the weighted average cost of PA for the year ended 31 March 2009 did not react quickly to the drastic downward trend of market price of raw materials and remained relatively high at HK\$8,882 per tonne whereas the weighted average selling price of PA dropped to HK\$8,801 per tonne for the year ended 31 March 2009 from HK\$9,341 per tonne for the year ended 31 March 2008 as a result of the financial crisis in the second half of 2008.

Although the weighted average selling price of PA was dropped to HK\$7,668 per tonne for the year ended 31 March 2010, the average cost of PA was relatively lower and reduced to HK\$6,963 per tonne compared to that for the year ended 31 March 2009. Therefore, our gross profit margin for the year ended 31 March 2010 was higher than that for the year ended 31 March 2009.

Analysis on our gross profit and gross profit margin in respect of the fumaric acid

Seven months ended 31 October 2011 comparing to the seven months ended 31 October 2010

For the seven months ended 31 October 2011, our gross profit for sale of fumaric acid increased by approximately 85.8% compared to the seven months ended 31 October 2010. Our gross profit margin, on the other hand, decreased from 92.8% for the seven months ended 31 October 2010 to 83.4% for the seven months ended 31 October 2011. The increase in gross profit was mainly attributable to the increase in fumaric acid sold from 1,239 tonnes for the seven months ended 31 October 2010 to 2,299 tonnes for the seven months ended 31 October 2011 as the strong market demand of fumaric acid for the seven months ended 31 October 2011. However, the decrease in gross profit margin was mainly attributable to the increase in the weighted average cost of fumaric acid because our Group had to purchase MA, the predominant component for the production of fumaric acid, from independent suppliers during the seven months ended 31 October 2011 in order to better utilise the production capacity for fumaric acid whereas no MA was purchased from independent suppliers during the seven months ended 31 October 2010.

Year ended 31 March 2011 comparing to year ended 31 March 2010

For the year ended 31 March 2011, our gross profit for sale of fumaric acid increased by approximately 29.5% compared to that of the year ended 31 March 2010. Our gross profit margin, on the other hand, decreased from 94.3% for the year ended 31 March 2010 to 88.0% for the year ended 31 March 2011. The increase in gross profit was mainly attributable to the increase in volume of fumaric acid sold from 2,764 tonnes for the year ended 31 March 2010 to 3,133 tonnes for the year ended 31 March 2011 because of the strong market demand of fumaric acid during the year ended 31 March 2011. The decrease in gross profit margin was mainly attributable to the increase in the weighted average cost of fumaric acid because, in addition to the MA generated during the production process of PA, our Group began to purchase MA, the predominant component for the production of fumaric acid, from independent suppliers since December 2010 when the quantity of self-produced MA is insufficient to fully utilise the capacity of fumaric acid production subsequent to the expansion.

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Year ended 31 March 2010 comparing to year ended 31 March 2009

For the year ended 31 March 2010, our gross profit for sale of fumaric acid decreased by approximately 8.1% compared to that for the year ended 31 March 2009. The decrease of gross profit margin was mainly due to the increase in the weighted average cost of fumaric acid sold by approximately 41.4% from HK\$268 per tonne to HK\$379 per tonne together with the decrease in the weighted average selling price of fumaric acid by approximately 4.8% from HK\$6,949 per tonne for the year ended 31 March 2009 to HK\$6,618 per tonne for the year ended 31 March 2010.

MA, which could undergo further chemical reaction process to generate fumaric acid, is a by-product formed in the chemical reaction process in production of PA from OX. For the years ended 31 March 2009 and 2010, as all MA was obtained from the production process of PA without any extra processing work, no direct and overhead costs related to the production process of PA was allocated to the production of MA.

For the year ended 31 March 2011 and the seven months ended 31 October 2011, despite the temporary reduction in MA derived from the production process of PA during the scheduled catalyst replacement process in February 2011, considering that the sale of fumaric acid would contribute positive gross profit to our Group, our Group began to purchase MA from independent suppliers in addition to the MA generated during the production process of PA in order to maximise our profit and utilise the production capacity of fumaric acid. Thus, the cost of MA for the year ended 31 March 2011 and the seven months ended 31 October 2011 comprised of the purchase cost of MA from independent suppliers and thus the unit cost of fumaric acid sold increased accordingly. For the year ended 31 March 2011 and the seven months ended 31 October 2011, the average unit purchase cost of MA from independent suppliers were HK\$260 and HK\$271 per tonne respectively.

Other revenue

Other revenue primarily consists of interest income. Other revenue as a percentage of our turnover was 0.22%, 0.06%, 0.31% and 0.29% for the three years ended 31 March 2009, 2010 and 2011, and the seven months ended 31 October 2011.

Selling expenses

Our selling expenses primarily consist of staff costs for sales staff and loading charges.

The following table sets forth the breakdown of selling expenses during the Track Record Period:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Staff costs for sales staff	247	286	355	203	278
Loading charges.....	88	17	14	9	12
Travelling expenses.....	96	9	27	25	56
Others	179	36	53	22	35
	<u>610</u>	<u>348</u>	<u>449</u>	<u>259</u>	<u>381</u>

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Selling expenses represented approximately 0.35%, 0.15%, 0.22% and 0.25%, respectively, of our turnover for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011.

During the Track Record Period, the loading charges decreased significantly mainly because the termination of the product loading service with an Independent Third Party in December 2008. The product loading services represents services for the loading of our products to the vehicles of our customers during the collection of the products at our production facilities. Since January 2009, our Group has employed more staff to perform the loading works. As a result, staff cost increased and loading charges decreased during the Track Record Period.

Administrative expenses

Our administrative expenses primarily consist of staff and welfare expenses, Listing expenses, depreciation expenses, various tax expenses, business meeting expenses, office expenses and other miscellaneous expenses.

The following table sets forth the breakdown of administrative expenses during the Track Record Period:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Staff and welfare expenses	1,988	2,132	2,343	1,296	1,548
Office expenses	575	410	224	172	127
Depreciation expenses	134	66	59	32	35
Various tax expenses.....	362	370	1,482	1,324	195
Business meeting expenses	253	163	589	617	505
Listing expenses	—	—	1,160	867	2,197
Others	542	696	1,768	1,023	983
	<u>3,854</u>	<u>3,837</u>	<u>7,625</u>	<u>5,331</u>	<u>5,590</u>

Administrative expenses represented approximately 2.20%, 1.66%, 3.76% and 3.74%, respectively, of our turnover for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011.

Various tax expenses mainly comprises of taxes paid in the PRC including withholding tax, land use tax, property tax and stamp duty. As compared with the year ended 31 March 2010, the significant increase in various tax expenses for the year ended 31 March 2011 was mainly due to the payment of withholding tax of approximately HK\$1.2 million for distribution of dividend by NWCI in July 2010.

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Finance costs

Finance costs consist of interests on bank loans and interests on early redemption of bills receivable. Interest rates on our bank loans, all of which are granted by PRC commercial banks and denominated in RMB, are typically linked to benchmark rates published by The People's Bank of China. Our Group's finance costs as a percentage of our turnover were 1.85%, 1.10%, 1.75% and 1.57% respectively, for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011.

In order to increase the liquidity of our Group and maintain a stable working capital structure, our Group would early redeem bills receivable when necessary. As at 31 March 2009, 2010 and 2011, our Group did not have any outstanding bills receivable. There were bills receivable amounting to approximately HK\$4.3 million as at 31 October 2011.

Share of losses of an associate

Share of losses of an associate represents the share of results of 廈門年勝投資管理有限公司 (Xiamen Nian Sheng Investment Management Co., Ltd.), which was principally engaged in hotel management in Xiamen. Xiamen Nian Sheng Investment Management Co., Ltd. incurred loss for the years ended 31 March 2009 and 2010 as it did not commence any business during the aforesaid period. Share of losses of the associate as a percentage of turnover were 0.61% and 0.32% for the years ended 31 March 2009 and 31 March 2010 respectively. The associate was disposed of to an Independent Third Party in March 2010. As such, there were no share of results of the associate for the year ended 31 March 2011 and the seven months ended 31 October 2011.

Taxation

Our effective enterprise income tax rate for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was approximately 1.0%, 7.8%, 13.2% and 14.1% respectively, which was attributable by our operating subsidiary in the PRC, NWCI. The effective tax rate was lower for the year ended 31 March 2009 because NWCI, which was established as a wholly foreign-owned enterprise in the PRC, was entitled to a full exemption from the state and local corporate income tax of the PRC for their first two profitable years of operations and thereafter a 50% relief from the state corporate income tax of the PRC for the following three years. The two-year tax exemption period for NWCI expired on 31 December 2008, and a three-year 50% tax relief commenced on 1 January 2009.

During the 第十屆全國人民代表大會第五次會議 (5th Session of the 10th National People's Congress*) which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. NWCI is also entitled to a preferential corporate income tax rate of 20%, 22% and 24% for 2009, 2010 and 2011 respectively, in accordance with the relevant laws and regulations in the PRC as it was established in the special economic zone in the PRC. The actual tax rate of NWCI after the 50% tax relief in 2009, 2010 and 2011 was 10%, 11% and 12% respectively. Commencing on 1 January 2012, the actual tax rate applicable to NWCI was 25%.

In addition, under the PRC Enterprise Income Tax Law, NWCI is required to withhold 10% PRC enterprise income tax when it distributes dividends to its non-PRC resident enterprise shareholders in relation to the distributable profit earned since 1 January 2008.

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PRC income tax

The fluctuations in our effective tax rate were primarily due to changes in tax adjustments during the Track Record period. The tax rate applicable to our PRC subsidiaries can be found at Note 12 of Appendix I to this prospectus. There are recent changes in the PRC tax laws which took effect as of 1 January 2008. For details of the effect of the new PRC tax laws, please refer to the paragraph headed “Risks relating to the PRC” in the section headed “Risk factors” in this prospectus.

BVI profit tax

We are not subject to BVI profit tax as we had no assessable income arising in or derived from the BVI during the Track Record Period.

Hong Kong profit tax

We are not subject to Hong Kong profit tax as we had no assessable income arising in or derived from Hong Kong during the Track Record Period.

The following table sets out the reconciliation between tax expenses and accounting profit at the applicable tax rate for the Track Record Period:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before taxation	9,737	34,692	25,400	11,355	11,533
Tax at the statutory tax rate	2,470	8,709	6,602	3,039	3,104
Tax effect of income not taxable for tax purpose (note)	(1,895)	(4,002)	(215)	(126)	(255)
Tax effect of expense not deductible for tax purpose ..	462	198	567	423	118
Lower tax rate for specific provinces or local authority	(763)	(1,564)	(684)	(411)	(141)
Tax exemption	(964)	(864)	(3,403)	(1,667)	(1,625)
Tax loss not recognised	784	213	487	389	429
Tax effect for the year/period .	94	2,690	3,354	1,647	1,630

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Note: For the year ended 31 March 2009, non-taxable income mainly comprised of reversal of share of loss of subsidiary, effect on reallocation of production cost incurred in the previous year and reversal of amortisation of intangible asset, amounting to approximately HK\$3,624,000, HK\$2,143,000 and HK\$482,000 respectively. Pursuant to a timing difference on recognition of production cost incurred of NWCI under the PRC GAAP and HKFRSs, part of the production cost recognised in accordance with PRC GAAP during the year ended 31 March 2009 was reallocated to the year ended 31 March 2008 in accordance with HKFRSs. As the PRC tax authority had assessed taxation of NWCI based on the financial statements prepared in accordance with PRC GAAP, such reduction in production cost as a result of the reallocation was considered not taxable under the HKFRSs for the year ended 31 March 2009. As such, the difference between the production cost of NWCI recognised under the PRC GAAP and HKFRSs during the year ended 31 March 2009 was included as non-taxable income for tax purpose under the HKFRSs in the reconciliation.

For the year ended 31 March 2010, non-taxable income mainly comprised of reversal of loss from disposal of subsidiary and associate and reversal of amortisation of intangible asset amounting to approximately HK\$14,856,000 and HK\$484,000 respectively. Reversal of loss from disposal of subsidiary and associate represents the difference between loss of disposal recognised in NWCI's level, amounting to approximately HK\$9,477,000, and gain on disposal recognised in our Group's level, amounting to approximately HK\$5,379,000. Gain on disposal was calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. For the details of calculation, please refer to Note 32 of the accountants' report as set out in Appendix I to this prospectus. As the PRC tax authority had assessed taxation in NWCI's level, the net effect on the reversal of loss from disposal in NWCI's level and the gain on disposal arisen in our Group's financial statements for the year ended 31 March 2010 was considered as non-taxable income.

The aforesaid intangible asset is the production methodologies of our products which were purchased from an Independent Third Party in 1996, which have been used for more than twenty years. Given that the production methodologies of PA and fumaric acid are widely applied by chemical producers and manufacturers all over the world and such methodologies can easily be found in chemistry textbooks, the intangible asset has already been fully impaired prior to the Track Record Period in compliance with the HKFRSs.

Accumulated losses before 1 April 2008

Prior to 1 April 2008 NWCI was the process of establishing itself in the market and building up a stable set of suppliers and customers. As such, our Group had incurred initial set up costs for NWCI, trial production costs of PA as the trial production commenced in August 2003, general and administrative expenses and finance costs to bank borrowings and operated at relatively higher operating costs and lower revenue and gross margin during its trial production period from August 2003 to March 2006. Subsequent to NWCI's commercial production in March 2006, our Group made profit since the year ended 31 March 2007. The operating results of our Group prior to the year ended 31 March 2008 resulted in an accumulated losses brought forward as at 1 April 2008.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgments and uncertainties and potentially yield materially different results under different assumptions and conditions. Our accounting policies have a significant impact on our operating results as shown in our combined financial statements included in this prospectus. Estimates and judgments are based on historical experience, prevailing market conditions and various other factors that we believe are reasonable under the circumstances. We review our estimates and underlying assumptions on an ongoing basis taking into account the changing environment and circumstances. The critical accounting policies adopted and estimates made in preparation of our financial statements are set out as follows:

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and impairment losses.

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Depreciation is calculated on the straight-line basis to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	40 years
Plant and machinery	5 – 20 years
Furniture, fixtures and equipment	5 years
Motor vehicle	10 years

The residual values and useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the combined statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

The production costs are allocated between the Phthalic anhydride (“PA”), fumaric acid and other by-products of PA. Costs that are directly related to the production of fumaric acid, including but not limited to direct labour costs for the staff responsible for the production of fumaric acid, depreciation of machinery used for fumaric acid production, cost of consumables and purchase cost of Maleic anhydride (“MA”) used for the production of fumaric acid from independent suppliers, are allocated to the cost of fumaric acid. Production costs that are directly attributable to the production of PA, including but not limited to direct material costs for the production of PA, direct labour costs for the staff responsible for the production of PA, depreciation of machinery used for PA production, utilities and chemicals consumed during the production process of PA, are allocated to the cost of PA.

As MA and other by-products of PA generated internally represents incidental products obtained from the normal production process of PA with no additional costs are required, there are no costs incurred which are directly attributable to the production of MA and other by-products of PA. There is no direct or overhead cost associated with the production of MA and other by-products of PA. As such, there are no reasonable basis of cost allocation and no cost incurred directly for the production of PA is allocated to the cost of production of the by-products of PA.

Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the combined statement of

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comprehensive income in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) *Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other asset, the recoverable amount is determined for the smallest of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the combined statement of comprehensive income in the year in which the reversals are recognised.

Revenue recognition

Turnover is recognised when it is probable that the economic benefits will flow to our Group and when our turnover can be measured reliably on the following bases:

(i) *Sale of chemicals*

Sale of chemicals are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Turnover excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

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(iii) *Sale of properties*

Sale of properties is recognised upon the execution of a binding sale and purchase agreement.

(iv) *Rental income*

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Income tax

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 net profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes combined statements of comprehensive income items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than 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 arising on investment in subsidiaries and an associate, except where our 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the combined statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

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

Business environment and impact on global economic conditions

Demand for our Group's products is generally affected by the general economic conditions of the PRC. Our Directors believe that financial conditions and results of operations of our Group are affected by the overall economic conditions. In order to maintain and further increase our Group's market share and to improve our results of operation, our Group will expand the production capacity and improve the product quality.

Production capacity

Our Directors believe that the financial conditions and results of operation of our Group will be subject to our Group's ability to maintain and improve our production capacity. In anticipation of the growing demand for our products, our Group will continue to expand the scale of our operation. As at the Latest Practicable Date, our production facility had an aggregate annual production capacity of 30,000 tonnes of PA and 4,000 tonnes of fumaric acid. In order to capture the expected increase in demand for our products, our Group planned to upgrade the production capacity, details of which are set out in the paragraph headed "Our strategies and business objectives" in the section headed "Business" in this prospectus.

Cost of raw materials

The purchase of the major raw material, OX accounted for approximately 98%, 98%, 98% and 95% of our Group's total purchases of raw materials for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 respectively. Since OX is the by-product of crude oil, the prices for OX may be volatile and fluctuate with the market price of crude oil, which is beyond our Group's control. The cost of sales and gross profit margin will be subject to fluctuations in the cost of raw materials and our Group's ability to pass on any increase in raw materials price to our customers.

Due to the high dependence on the global economy and crude oil, the market prices of PA and OX normally move in the same direction at the same time. The following table sets forth the sensitivity analysis of our Group's profit in response to a 20% increase or decrease in the purchase price of OX during the Track Record Period. A positive number below indicates an increase in profit where a negative number below indicates the decrease in profit towards the change in purchase price of OX for the year/period.

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
20% increase in purchase price of OX.....	<u>(23,927)</u>	<u>(34,137)</u>	<u>(31,108)</u>	<u>(19,576)</u>	<u>(24,264)</u>
20% decrease in purchase price of OX	<u>23,927</u>	<u>34,137</u>	<u>31,108</u>	<u>19,576</u>	<u>24,264</u>

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The following table sets forth the sensitivity analysis of our Group's profit in response to a 20% increase or decrease in the selling price of PA during the Track Record Period. A positive number below indicates an increase in profit where a negative number below indicates the decrease in profit towards the change in selling price of PA for the year/period.

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010 (unaudited)	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
20% increase in selling price of PA	<u>29,516</u>	<u>41,554</u>	<u>34,314</u>	<u>21,663</u>	<u>25,823</u>
20% decrease in selling price of PA.....	<u>(29,516)</u>	<u>(41,554)</u>	<u>(34,314)</u>	<u>(21,663)</u>	<u>(25,823)</u>

Taxation

During the Track Record Period, NWCI was entitled to preferential tax treatment exemption from the enterprise income tax for 2007 and 2008 and a 50% reduction in the enterprise income tax for 2009, 2010 and 2011, in accordance with the relevant tax rules and regulations applicable to foreign-invested enterprise in the PRC. Furthermore, according to the PRC Enterprise Income Tax Law passed by the National People's Congress of the PRC, the income tax rate for both domestic and foreign-invested enterprises was unified at 25% effective from 1 January 2008 as opposed to 33% prior to such date. NWCI is also entitled to a preferential corporate income tax rate of 20%, 22% and 24% for 2009, 2010 and 2011 respectively, in accordance with the relevant laws and regulations in the PRC as it was established in the special economic zone in the PRC.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Seven months ended 31 October 2011 comparing to the seven months ended 31 October 2010

Turnover

Our turnover for the seven months ended 31 October 2011 increased by approximately 20.9% compared to the seven months ended 31 October 2010, as a result of the increases of sales of both PA and fumaric acid. The increase in sales of PA, as contributed by the increase in the weighted average selling price of PA per tonne from HK\$8,606 for the seven months ended 31 October 2010 to HK\$11,072 for the seven months ended 31 October 2011 mainly due to the increase in market price of OX, which compensated the decrease of sales volume of PA from 12,585 tonnes to 11,662 tonnes. As it took time for the production facilities to restore the optimal production efficiency subsequent to the replacement of catalysts which was completed in February 2011, despite the production efficiency of our Group was progressively restored to the optimal production level, the total production volume of PA was reduced during the seven months ended 31 October 2011. As a result, the sales of PA were also decreased with fewer PA produced.

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For the sales of fumaric acid, in view of the strong market demand for fumaric acid, the sales volume of fumaric acid increased from 1,239 tonnes for the seven months ended 31 October 2010 to 2,299 tonnes for the seven months ended 31 October 2011. For this reason, our Group began to purchase MA, the predominant component for the production of fumaric acid, from independent suppliers since December 2010 in order to better utilise the production capacity of fumaric acid. The weighted average selling price of fumaric acid of our Group increased to HK\$8,764 per tonne for the seven months ended 31 October 2011 from HK\$7,871 per tonne for the seven months ended 31 October 2010. It was mainly due to the increase in market price of fumaric acid which was mainly contributed by the recovery of global economy and increase in market price of OX, as the market price of fumaric acid has a high correlation with that of OX.

Cost of sales

Our cost of sales increased by approximately 23.7% from approximately HK\$105.1 million for the seven months ended 31 October 2010 to approximately HK\$130.0 million for the seven months ended 31 October 2011, at a rate faster than the growth of our turnover mainly due to the price increment for PA lagging behind the drastic increase in market price of OX initiated by the sudden tighter market supply of OX as a result of the suspension of OX production by a major local supplier since July 2011.

Gross profit and gross profit margin

The gross profit of our Group increased by approximately 4.8% from approximately HK\$18.5 million for the seven months ended 31 October 2010 to approximately HK\$19.4 million for the seven months ended 31 October 2011 as a result of the growth of turnover which had largely offset the drop of our gross profit margin.

Our gross profit margin declined from approximately 15.0% for the seven months ended 31 October 2010 to approximately 13.0% for the seven months ended 31 October 2011, primarily attributable to the decrease in gross profit margin for PA sales when the price increment for PA lagged behind the increase in market price of OX during the seven months ended 31 October 2011.

Other revenue

Other revenue, representing mainly interest income, increased significantly by approximately 11.8% from approximately HK\$382,000 for the seven months ended 31 October 2010 to approximately HK\$427,000 for the seven months ended 31 October 2011, which was mainly due to, among other things, increase in average bank deposit interest rate, appreciation of RMB against HK\$ and increase in average bank balances.

Selling expenses

Selling expenses increased significantly by approximately 47.1% from approximately HK\$259,000 for the seven months ended 31 October 2010 to approximately HK\$381,000 for the seven months ended 31 October 2011. Such increase was resulted from the increase in staff costs as a result of employment of additional staff and travelling expenses for elicit new customers for sales department.

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Administrative expenses

Our administrative expenses increased by approximately 4.9% from approximately HK\$5.3 million for the seven months ended 31 October 2010 to approximately HK\$5.6 million for the seven months ended 31 October 2011. Such increase was mainly due to the recognition of listing expenses of approximately HK\$2.2 million for the seven months ended 31 October 2011.

Profit from operations

For the above reasons, profit from operations increased by approximately 4.1% from approximately HK\$13.3 million for the seven months ended 31 October 2010 to HK\$13.9 million for the seven months ended 31 October 2011.

Finance costs

Finance costs increased by approximately 18.7% from approximately HK\$2.0 million for the seven months ended 31 October 2010 to approximately HK\$2.4 million for the seven months ended 31 October 2011. The increase was primarily due to, among other things, increase in average interest rate and appreciation of RMB against HK\$.

Profit before taxation

For the above reasons, profit before taxation increased by approximately 1.6% from approximately HK\$11.4 million for the seven months ended 31 October 2010 to approximately HK\$11.5 million for the seven months ended 31 October 2011.

Taxation

Income tax expenses remained relatively stable for the seven months ended 31 October 2011 as compared to the seven months ended 31 October 2010 while our chargeable profits were also relatively stable.

Profit for the period

As a result of the foregoing, our Group's profit increased by approximately 2.0% from approximately HK\$9.7 million for the seven months ended 31 October 2010 to approximately HK\$9.9 million for the seven months ended 31 October 2011. Our net profit margin decreased to 6.6% for the seven months ended 31 October 2011 from approximately 7.9% for the seven months ended 31 October 2010.

Other comprehensive income

Other comprehensive income, being exchange difference on translation of foreign operations, increased from approximately HK\$1.9 million for the seven months ended 31 October 2010 to approximately HK\$3.3 million for the seven months ended 31 October 2011. Such increase was due to the increase in the appreciation of RMB against HK\$.

Total comprehensive income

Total comprehensive income increased by approximately 13.7% from approximately HK\$11.6 million for the seven months ended 31 October 2010 to approximately HK\$13.2 million for the seven months ended 31 October 2011.

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Year ended 31 March 2011 comparing to year ended 31 March 2010

Turnover

Our Group recorded a turnover of approximately HK\$202.7 million for the year ended 31 March 2011, representing an decrease of approximately 12.3% compared to the year ended 31 March 2010. Such decrease was primarily attributable to, among other things, the suspension of PA production for approximately 52 days during the year ended 31 March 2011 as a result of the replacement of catalysts used in PA production of which the adverse effect was partly offset by the rise of average selling price of our Group's PA per tonne from HK\$7,668 for the year ended 31 March 2010 to HK\$8,981 for the year ended 31 March 2011 and also the increase of sales volume of fumaric acid from 2,764 tonnes for the year ended 31 March 2010 to 3,133 tonnes for the year ended 31 March 2011.

At the beginning of the year ended 31 March 2010, the markets of PA and fumaric acid were in the course of recovering from the financial crisis started in the second half of 2008. The selling price of PA and fumaric acid increased gradually during the year ended 31 March 2010 and remained relatively stable for the year ended 31 March 2011. As a result, the average selling price of PA and fumaric acid for the year ended 31 March 2011 was higher than the average selling price of PA and fumaric acid for the year ended 31 March 2010.

Cost of sales

The cost of sales decreased by approximately 14.5% from approximately HK\$194.5 million for the year ended 31 March 2010 to approximately HK\$166.3 million for the year ended 31 March 2011. Such decrease was generally in line with the decrease on turnover.

Gross profit and gross profit margin

Our Group's gross profit slightly decreased by approximately 0.8% from approximately HK\$36.7 million for the year ended 31 March 2010 to approximately HK\$36.4 million for the year ended 31 March 2011 as a result of, among other things, the suspension of PA production for approximately 52 days. The suspension decreased the production volume of PA from approximately 25,900 tonnes for the year ended 31 March 2010 to approximately 19,800 tonnes for the year ended 31 March 2011 which also decreased the sales volume of PA from 27,095 tonnes for the year ended 31 March 2010 to 19,104 tonnes for the year ended 31 March 2011. The impact of suspension of production was being offset by the improved gross profit margin of our Group's products.

Our gross profit margin increased from approximately 15.9% for the year ended 31 March 2010 to approximately 17.9% for the year ended 31 March 2011 primarily due to the increase in proportion of sale of fumaric acid for the year ended 31 March 2011, of approximately 12.5%, as compared with that for the year ended 31 March 2010, of approximately 7.9%. As the gross profit margin for sale of fumaric acid for the year ended 31 March 2011 is much higher than that of the overall gross profit margin of our Group, the overall gross profit margin of our Group for the year ended 31 March 2011 is higher than that for the year ended 31 March 2010.

Other revenue

Other revenue increased by approximately 3.8 times from approximately HK\$132,000 for the year ended 31 March 2010 to approximately HK\$638,000 for the year ended 31 March 2011, which was mainly due to the increase in average bank balances.

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Selling expenses

Our selling expenses increased by approximately 29.0% from approximately HK\$348,000 for the year ended 31 March 2010 to approximately HK\$449,000 for the year ended 31 March 2011. Such increase was mainly due to the increase in travelling expenses as well as the increase in staff costs for sales department.

Administrative expenses

Our administrative expenses increased by approximately 98.7% from approximately HK\$3.8 million for the year ended 31 March 2010 to approximately HK\$7.6 million for the year ended 31 March 2011. Such increase was mainly due to the payment of withholding tax of approximately HK\$1.2 million for distribution of dividend by NWCI, the recognition of listing expenses of approximately HK\$1.2 million for the year ended 31 March 2011 and the additional administrative expenses incurred for our Group's new office in Tuen Mun, Hong Kong.

Gain on disposal of subsidiaries and an associate

Gain on disposal of subsidiaries and an associate amounted to approximately HK\$5.4 million for the year ended 31 March 2010 and was recognised upon the disposal of the Other Companies in March 2010.

Profit from operations

For the above reasons, our profit from operations decreased by approximately 23.8% from approximately HK\$38.0 million for the year ended 31 March 2010 to approximately HK\$29.0 million for the year ended 31 March 2011.

Finance costs

Finance costs increased by approximately 39.1% from approximately HK\$2.6 million for the year ended 31 March 2010 to approximately HK\$3.6 million for the year ended 31 March 2011. The increase was primarily due to, among other things, the increase in our average balance of bank loans, increase in average interest rate and appreciation of RMB against HK\$.

Share of losses of an associate

There was no share of losses of an associate for the year ended 31 March 2011, as compared with an amount of approximately HK\$751,000 for the year ended 31 March 2010, which was due to the disposal of the associate in March 2010.

Profit before taxation

For the above reasons, our profit before taxation decreased by approximately 26.8% from approximately HK\$34.7 million for the year ended 31 March 2010 to approximately HK\$25.4 million for the year ended 31 March 2011.

Taxation

Income tax expenses increased by approximately 24.7% from approximately HK\$2.7 million for the year ended 31 March 2010 to approximately HK\$3.4 million for the year ended 31 March 2011. The increase was primarily due to the increase in tax rate of the PRC enterprise income tax for NWCI, as well as the increase in taxable profit for the year ended 31 March 2011.

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Profit for the year

Based on the above reasons, our profit decreased by approximately 31.1% from approximately HK\$32.0 million for the year ended 31 March 2010 to approximately HK\$22.0 million for the year ended 31 March 2011. Our net profit margin decreased to 10.9% for the year ended 31 March 2011 from approximately 13.8% for the year ended 31 March 2010.

Other comprehensive income

Other comprehensive income increased by approximately 16.2 times from approximately HK\$240,000 for the year ended 31 March 2010 to approximately HK\$4.1 million for the year ended 31 March 2011. The increase was due to the higher rate of appreciation of RMB against HK\$ during the year ended 31 March 2011.

Total comprehensive income

Total comprehensive income decreased by approximately 18.8% from approximately HK\$32.2 million for the year ended 31 March 2010 to approximately HK\$26.2 million for the year ended 31 March 2011.

Non-controlling interests

Our Group had no profit attributable to non-controlling interests for the year ended 31 March 2011, as compared with an amount of approximately HK\$1,000 for the year ended 31 March 2010, which was due to the disposal of the subsidiaries in March 2010.

Year ended 31 March 2010 comparing to year ended 31 March 2009

Turnover

Our Group recorded a turnover of approximately HK\$231.1 million for the year ended 31 March 2010, representing an increase of approximately 31.8% compared to the year ended 31 March 2009. Such increase was primarily attributable to the upgraded production capacity and the recovery of economy in the PRC from the global economic downturn beginning in the second half of 2008 which led to a growth of demand for chemicals. Accordingly, sales volume of PA increased from 16,769 tonnes for the year ended 31 March 2009 to 27,095 tonnes for the year ended 31 March 2010.

Cost of sales

The cost of sales increased by approximately 23.7% from approximately HK\$157.2 million for the year ended 31 March 2009 to approximately HK\$194.5 million for the year ended 31 March 2010. Such increase was mainly due to the significant increase in quantity of PA sold from 16,769 tonnes for the year ended 31 March 2009 to 27,095 tonnes for the year ended 31 March 2010 due to the recovery of global economy. The increase also partially offset by the decrease in average cost of PA from HK\$8,882 per tonne for the year ended 31 March 2009 to HK\$6,963 per tonne for the year ended 31 March 2010.

Gross profit and gross profit margin

Our Group's gross profit increased by approximately 102.2% from approximately HK\$18.1 million for the year ended 31 March 2009 to approximately HK\$36.7 million for the year ended 31 March 2010 as a result of the growth of turnover and the improvement of gross profit margin during the year ended 31 March 2010.

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Our gross profit margin increased from approximately 10.3% for the year ended 31 March 2009 to approximately 15.9% for the year ended 31 March 2010 primarily due to the general upward price trend for PA from the lowest price at approximately RMB5,470 in May 2009 to the highest price at approximately RMB8,803 in January 2010 during the year ended 31 March 2010 as compared to the downward price trend for the year ended 31 March 2009.

Other revenue

Other revenue decreased by approximately 65.2% from approximately HK\$379,000 for the year ended 31 March 2009 to approximately HK\$132,000 for the year ended 31 March 2010, which was mainly due to the decrease in interest income as a result of lower bank deposit interest rate.

Selling expenses

Our selling expenses decreased by approximately 43.0% from approximately HK\$610,000 for the year ended 31 March 2009 to approximately HK\$348,000 for the year ended 31 March 2010. Such decrease was mainly due to the decrease in travelling expenses as well as the significant saving of loading charges after terminating the product loading service with an Independent Third Party since December 2008. The product loading services represents services for the loading of our products to the vehicles of our customers during the collection of the products at our production facilities. Since January 2009, our Group has employed more staff to perform the loading works. As a result, staff cost increased and loading charges decreased during the Track Record Period. For details, please refer to the paragraph headed “Payment terms and products delivery” under the section headed “Business” in this prospectus.

Administrative expenses

For the year ended 31 March 2010, our Group’s administrative expenses remained relatively stable as compared to the year ended 31 March 2009.

Gain on disposal of subsidiaries and an associate

Gain on disposal of subsidiaries and an associate amounted to approximately HK\$6.5 million for the year ended 31 March 2010 and was recognised upon the disposal of the Other Companies in March 2010.

Profit from operations

For the above reasons, our profit from operations increased by approximately 170.4% from approximately HK\$14.1 million for the year ended 31 March 2009 to approximately HK\$38.0 million for the year ended 31 March 2010.

Finance costs

Finance costs decreased by approximately 21.2% from approximately HK\$3.2 million for the year ended 31 March 2009 to approximately HK\$2.6 million for the year ended 31 March 2010. The decrease was primarily due to the decrease in interest expenses on the bank borrowings as a result of the downward adjustment of the bank borrowings loan interest rate for the year ended 31 March 2010.

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Share of losses of an associate

Share of losses of an associate decreased by 30.2% from approximately HK\$1.1 million for the year ended 31 March 2009 to approximately HK\$751,000 for the year ended 31 March 2010. Such decrease was due to better cost control imposed by the associate.

Profit before taxation

For the above reasons, our profit before taxation increased by approximately 256.3% from approximately HK\$9.7 million for the year ended 31 March 2009 to approximately HK\$34.7 million for the year ended 31 March 2010.

Taxation

Income tax expenses increased by approximately 27.6 times from approximately HK\$94,000 for the year ended 31 March 2009 to approximately HK\$2.7 million for the year ended 31 March 2010. The increase was primarily due to the expiry of the full exemption of the PRC enterprise income tax for NWCI since January 2009.

Profit for the year

Based on the above reasons, our profit increased by approximately 231.9% from approximately HK\$9.6 million for the year ended 31 March 2009 to approximately HK\$32.0 million for the year ended 31 March 2010. Our net profit margin increased to 13.8% for the year ended 31 March 2010 from approximately 5.5% for the year ended 31 March 2009.

Other comprehensive income

Other comprehensive income decreased by approximately 75.6% from approximately HK\$983,000 for the year ended 31 March 2009 to approximately HK\$240,000 for the year ended 31 March 2010. The decrease was due to the lower rate of appreciation of RMB against HK\$ during the year ended 31 March 2010.

Total comprehensive income

Total comprehensive income increased by approximately 203.4% from approximately HK\$10.6 million for the year ended 31 March 2009 to approximately HK\$32.2 million for the year ended 31 March 2010.

Non-controlling interests

Our Group's loss attributable to non-controlling interests was approximately HK\$1,000 for the year ended 31 March 2010, representing a decrease of approximately 90% from HK\$10,000 for the year ended 31 March 2009. Such decrease was mainly due to the improvement of cost control by the subsidiaries.

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DESCRIPTION OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

The following table set out a breakdown of our inventories as of the dates indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	6,812	3,474	1,813	4,561
Work in progress	–	–	2,734	4,649
Finished goods	12,215	6,891	15,384	18,612
	<u>19,027</u>	<u>10,365</u>	<u>19,931</u>	<u>27,822</u>

Our total inventories decreased from approximately HK\$19.0 million as at 31 March 2009 to approximately HK\$10.4 million as at 31 March 2010. The decrease was primarily due to the implementation of new policy to keep inventories at an approximately four to five weeks' level since early 2009 and the accelerated sales of our Group's products near end of the year ended 31 March 2010 as a result of the strong demand.

Our total inventories increased from approximately HK\$10.4 million as at 31 March 2010 to approximately HK\$19.9 million as at 31 March 2011. The increase was primarily because our Group carried out more stringent quality control procedures on the finished goods since the completion of catalysts replacement in February 2011, which increase the time required for quality check before the sale of finished goods in February and March 2011 and resulted in the increase in the level of total inventories.

Our total inventories increased from approximately HK\$19.9 million as at 31 March 2011 to approximately HK\$27.8 million as at 31 October 2011. The rise was primarily due to the increase in the unit cost of our inventories as a result of the drastic increase in market price of OX during the seven months ended 31 October 2011. The weighted average purchase price of OX of our Group increased from HK\$8,251 per tonne for the year ended 31 March 2011 to HK\$11,203 per tonne for the seven months ended 31 October 2011. Our raw materials increased from approximately HK\$1.8 million as at 31 March 2011 to approximately HK\$4.6 million as at 31 October 2011. The increase was mainly due to the drastic increase in market price of OX during the seven months ended 31 October 2011, as well as a large shipment of raw materials received by our Group near the end of the seven months ended 31 October 2011.

As at 31 January 2012, all of our inventories as at 31 October 2011 had been utilised.

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The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2011
	days	days	days	days
Average inventory turnover	60	28	33	39

Note: Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period, divided by two. Turnover of average inventory (in days) equals average inventory divided by cost of inventories sold for the relevant year and then multiplied by 365 days for each of the three years ended 31 March 2009, 2010 and 2011. Average turnover days for the seven months ended 31 October 2011 equals average inventory divided by cost of inventories sold for the relevant period and then multiplied by 214 days and the average inventory was calculated based on the inventory as at 1 April 2011 plus the inventory as at 31 October 2011 divided by two.

Our average inventory turnover days decreased to approximately 28 days for the year ended 31 March 2010, primarily due to our Group's target to maintain approximately four to five weeks' inventories. Our average inventory turnover days increased to approximately 33 days for the year ended 31 March 2011, primarily due to the relatively low level of inventories kept as at 31 March 2010. The production efficiency of our Group was progressively restored to the optimal production level during the seven months ended 31 October 2011, following the completion of catalysts replacement in February 2011. Therefore, the average inventories level during the seven months ended 31 October 2011 increased as compared with that for the year ended 31 March 2011 and the average inventory turnover days increased slightly to approximately 39 days for the seven months ended 31 October 2011.

Trade receivables

We sometimes receive payment on or before the delivery of our products and allow settlement of balance within 30 days from certain of our long standing customers with good payment history. For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, there were three, two, three and eight of our long standing customers who were allowed to settle the balances within 30 days. For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the proportion of sales to customers who settled payment in full before their collection of the products were 22.0%, 18.2%, 16.3% and 25.3% respectively. The remaining proportion represents the sales to customers who were allowed to settle balances within 30 days. Our Group seeks to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables of our Group at the end of the reporting period, based on the invoice date and net of provision for impairment, is as follows:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	27	5,943	12,084	25,816

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We had minimal amount of trade receivables as at 31 March 2009. The trade receivables of approximately HK\$5.9 million, HK\$12.1 million and HK\$25.8 million respectively as at 31 March 2010, 31 March 2011 and 31 October 2011 represented the products sold to customers in March 2010, 31 March 2011 and 31 October 2011 due for payment.

The significant increase of trade receivables balances of approximately 113.6% from approximately HK\$12.1 million as at 31 March 2011 to approximately HK\$25.8 million as at 31 October 2011 was mainly due to the sales of approximately HK\$46.7 million in October 2011, of which HK\$32.0 million represents sales to existing customers of our Group which were allowed to settle balances within 30 days as compared to sales of approximately HK\$27.8 million in March 2011, of which HK\$24.7 million represents sales to existing customers of our Group which were allowed to settle balances within 30 days. During the seven months ended 31 October 2011, the number of our customers allowed to settle the trade balance within 30 days, which are our long standing customers, was increased from three to eight. The increase in sales in October 2011 as compared to March 2011 was primarily due to the increased sales to certain of our major customers in October 2011 as such major customers decided to purchase in bulk from our Group after the replacement of catalyst in February 2011 and the improvement in optional production efficiency and the increase in weighted average selling price of PA of approximately 23.3% from HK\$8,981 per tonnes for the year ended 31 March 2011 to approximately HK\$11,072 per tonne for the seven months ended 31 October 2011 with reference to the then market prices of our products.

As at 31 January 2012, all of our trade receivable as at 31 October 2011 had been settled.

The following table sets forth our average turnover days for our trade receivables for the year/period indicated:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2011
	days	days	days	days
Trade receivables turnover	0.1	4.7	16.2	27.1

Note: Average trade receivables equal trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period, divided by two. Trade receivables turnover days equal average trade receivables divided by turnover for the relevant year and then multiplied by 365 days for each of the three years ended 31 March 2009, 2010 and 2011. Trade receivables turnover days for the seven months ended 31 October 2011 equals average trade receivables divided by turnover for the relevant period and then multiplied by 214 days and the average trade receivables were calculated based on the trade receivables as at 1 April 2011 plus the trade receivables as at 31 October 2011 divided by two.

Our trade receivables turnover was fast and the average trade receivables turnover days determined on the above calculation basis increase from 0.1 days to approximately 27.1 days during the Track Record Period as some of our customers settle the balances on or before the delivery of our product and we may allow those long standing customers with good payment history to settle the balances within 30 days from delivery. Notwithstanding that the proportion of sales to customers who settled payment in full before collection remained stable during the Track Record Period, the increasing trend of the trade receivables turnover day was mainly due to (i) our Group has established better business relationship with increasing number of customers, in particular, the seven months ended 31 October 2011; (ii) certain long standing customers settled their payments shortly before 31 March 2009 and 2010; and (iii) the increased number of our customers who were allowed to settle the trade balances within 30 days for the year ended 31 March 2011 and seven months ended 31 October 2011 and such customers tend to repay their trade balances close to 30 days after collection of products as allowed.

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Prepayments, deposits and other receivables

Prepayment, deposits and other receivables primarily consist of prepayment for raw materials, consideration receivable for the disposal of the Other Companies, and loan receivable.

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments for raw materials ..	4,841	3,547	5,628	5,778
Prepaid expenses for the Listing	–	–	2,304	5,696
Other prepayments	929	312	760	1,080
Prepayment for cost of catalyst .	1,388	557	2,032	1,423
Prepaid lease payments for land use rights				
– current portion	52	51	54	55
Consideration receivable	–	4,728	–	–
Deposit paid for real estate project	2,279	–	–	–
Tax recoverables	–	–	–	892
Advances to staff	1,955	55	46	23
Other receivables	994	296	451	528
	<u>12,438</u>	<u>9,546</u>	<u>11,275</u>	<u>15,475</u>

The fluctuations of our prepayments, deposits and other receivables were mainly attributable to the advance payments for raw materials made to our suppliers and prepaid expenses for the Listing. The increase in prepayments, deposits and other receivables as at 31 March 2011 was mainly due to the increase in advance payments for purchases of raw materials and the inclusion of prepaid expenses for the Company's proposed listing. The increase in prepayments, deposits and other receivables as at 31 October 2011 was mainly due to the increase in prepaid expenses for the Listing.

Prepaid expenses for the Listing represents prepayment of professional fees relating to the Listing, including but not limited to, legal and other professional fees, prepayment for professional printing and other relevant expenses in relations to services not yet rendered for the Listing. Upon the Listing, the prepaid expenses for the Listing will be charged to the statement of comprehensive income or deduction from equity respectively to the extent they are directly attributable to the listing of the shares and issuance of new shares when the above allocation can be measured reliably in accordance with the applicable accounting standards under the HKFRSs.

Other prepayments mainly comprised of prepayments for purchase of plant and machinery, repair and maintenance, consumables used for production and professional services fees.

Consideration receivable represented the cash consideration for the disposal of the Other Companies. The disposal was completed on 19 March 2010. Details of the disposal of the Other Companies are set out in note 32 of the accountants' report in Appendix I to this prospectus.

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Deposits paid for real estate deposits represented deposits paid by one of the then subsidiaries of our Group, 廈門英大商貿有限公司 (Xiamen Ying Da Trade Co., Ltd.*) in relation to a real estate project. 廈門英大商貿有限公司 (Xiamen Ying Da Trade Co., Ltd.*), as one of the Other Companies, was disposed to an Independent Third Party which was completed in March 2010. As such, the deposits paid for real estate decreased from approximately HK\$2,279,000 as at 31 March 2009 to nil as at 31 March 2010.

Advances to staff represented advanced made by NWCI to the employees of our Group which was subsequently settled during the year ended 31 March 2010. Accordingly, our Directors believe that there is no dispute or controversy or legal risk relating to such loans or obligations between NWCI and the employees of our Group. Considering the advances are made to individuals and interest free, PRC Legal Adviser has confirmed that such advances and obligations were in compliance with the relevant PRC laws and regulations. Since such advances had been settled and all obligations been fulfilled as at the Latest Practicable Date, there is no dispute or controversy relating to such advances or obligations and there is no legal risks relating to the same.

Our Directors confirm that we will not provide borrowings to third parties after the Listing.

Trade payables

The following table sets forth our trade payables as of the dates indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	9,857	457	6,582	16,507

The following table sets forth an aging analysis of trade payables as of the dates indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	8,690	23	6,129	12,203
31 to 60 days	331	–	–	3,959
61 to 90 days	–	–	–	36
Over 90 days	836	434	453	309
	9,857	457	6,582	16,507

Our trade payables decreased from HK\$9.9 million as at 31 March 2009 to approximately HK\$0.5 million as at 31 March 2010. The decrease was mainly due to the settlements of trade payables before end of March 2010 as a result of the early repayment upon the request of a major supplier.

Trade payables of approximately HK\$6.6 million and HK\$16.5 million respectively as at 31 March 2011 and 31 October 2011 represented mainly the cost of raw materials received from our suppliers near the end of March 2011 and October 2011 yet due for payment.

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As at 31 January 2012, approximately HK\$16.1 million, or 97.2%, of our trade payables as at 31 October 2011 had been settled.

Certain amounts of our trade payables aged over 90 days. The amounts mainly comprise of the amounts due to suppliers for consumables and non-major raw materials. The suppliers of those materials usually allow the settlement of trade payables for more than 90 days. There were no trade payables in dispute during the Track Record Period.

The following table sets forth our average turnover days for our trade payables for the periods indicated:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2011
	days	days	days	days
Trade payable turnover	45	10	8	19

Note: Average trade payables equal trade payables at the beginning of the year/period plus trade payables at the end of the year/period, divided by two. Trade payables turnover days equal average trade payables divided by cost of sales for the relevant year and then multiplied by 365 days for each of the three years ended 31 March 2009, 2010 and 2011. Trade payables turnover days for the seven months ended 31 October 2011 equals average trade payables divided by cost of sales for the relevant period and then multiplied by 214 days and the average trade payables were calculated based on the trade payables as at 1 April 2011 plus the trade payables as at 31 October 2011 divided by two.

Our average trade payables turnover days significantly decreased to 10 days for the year ended 31 March 2010, 8 days for the year ended 31 March 2011 and 19 days for the seven months ended 31 October 2011, primarily due to the cessation of business with a major supplier which ceased to operate and previously offered a 60 days credit term during the year ended 31 March 2009.

Other payables and accruals

Our payables and accruals were mainly comprises of value added tax payables, payables to suppliers for the acquisition of plant and machinery, interest expenses payables and other taxes payables.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	6,858	9,890	4,477	3,732
Accruals.....	222	98	191	39
	7,080	9,988	4,668	3,771

The fluctuations of other payables were mostly attributable to the value added tax payables incurred for the sale of our Group's products. Our Group had purchased large amount of raw materials, which is deductible for value added tax purpose in certain tax rate, near the end of the year ended 31 March 2011 and the seven months ended 31 October 2011. Part of the raw materials had been put into production of finished goods and not yet sold as at 31 March 2011 and 31 October 2011. As a result, the balance of value added tax payables as at 31 March 2011 and 31 October 2011

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decreased to approximately HK\$1.2 million and HK\$2.7 million respectively, compared with the value added tax payables as at 31 March 2009 and 31 March 2010 of approximately HK\$4.2 million and HK\$8.9 million respectively.

Amounts due from/to related parties

The following table sets forth a breakdown of our amounts due from related companies as of the dates indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from related companies				
廈門世嘉房地產發展有限公司 (Xiamen Shijia Real Estate Development Co., Ltd.*)	615	—	—	—
廈門德輝房地產有限公司 (Xiamen Dehui Real Estate Co., Ltd.*)	193	—	—	—
	<u>808</u>	<u>—</u>	<u>—</u>	<u>—</u>

All amounts due from related companies were denominated in RMB, unsecured, interest-free and recoverable on demand.

The following table sets forth a breakdown of our amounts due to related parties as of the dates indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to related companies				
廈門世康物業公司 (Xiamen Shikang Property Co.*)	7	—	—	—
北京魯輝投資有限公司 (Beijing Luhui Investment Co., Ltd.)* (note i)	20,123	—	—	—
Xiangnan Xincheng	1,502	—	—	—
	<u>21,632</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amount due to a Director				
Mr. Choi	6	7	7	8
Amount due to a Shareholder				
Mrs. Choi	61,710	69,517	73,688	79,982
	<u>83,348</u>	<u>69,524</u>	<u>73,695</u>	<u>79,990</u>

All amounts due to related parties were unsecured, interest-free and repayable on demand.

Amounts due to a Director and a Shareholder in the sum of HK\$79,990,000 (which represent the same outstanding indebtedness due or owing from Great Top to them and acquired by Cheng

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Wang on 15 February 2012 as part of the Reorganisation) were fully capitalised pursuant to the Reorganisation completed on 15 February 2012.

Note:

- (i) Our Group did not carry out business with Beijing Luhui Investment Co., Ltd. The balance of amount due to Beijing Luhui Investment Co., Ltd. mainly related to the financial support provided to one of the subsidiary of our Group, Xiamen Ying Da Trade Co., Ltd., during the year ended 31 March 2009.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

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

Net current liabilities

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

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011	As at 31 January 2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets					
Inventories	19,027	10,365	19,931	27,822	45,577
Trade and bills receivables	27	5,943	12,084	30,114	20,788
Prepayments, deposits and other receivables	12,438	9,546	12,435	15,475	29,016
Amounts due from related companies	808	—	—	—	—
Properties held for sale	2,139	—	—	—	—
Cash and cash equivalents	8,023	62,717	70,143	59,949	28,222
	<u>42,462</u>	<u>88,571</u>	<u>114,593</u>	<u>133,360</u>	<u>123,603</u>
Current liabilities					
Trade payables	9,857	457	6,582	16,507	4,986
Receipt in advance	20,720	13,885	8,936	593	3,433
Accruals and other payables ..	7,080	9,988	4,668	3,771	3,142
Amounts due to related companies	21,632	—	—	—	—
Amount due to a director	6	7	7	8	8
Amount due to a shareholder .	61,710	69,517	73,688	79,982	79,982
Income tax payable	82	2,291	2,147	—	—
Bank borrowings	42,014	56,960	59,270	60,880	61,520
	<u>163,101</u>	<u>153,105</u>	<u>155,298</u>	<u>161,741</u>	<u>153,071</u>
Net current liabilities	<u>(120,639)</u>	<u>(64,534)</u>	<u>(40,705)</u>	<u>(28,381)</u>	<u>(29,468)</u>

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As at 31 October 2011, we had net current liabilities of approximately HK\$25.0 million. The components of our current assets as at such date included inventories of approximately HK\$27.8 million, trade and bills receivables of approximately HK\$30.1 million, prepayments, deposits and other receivables of approximately HK\$18.8 million and cash and cash equivalents of approximately HK\$60.0 million. The key components of our current liabilities included trade payables of approximately HK\$16.5 million, receipt in advance of approximately HK\$593,000, accruals and other payables of approximately HK\$3.8 million, amounts due to a Director and a Shareholder with an aggregate of approximately HK\$80.0 million and bank borrowings of approximately HK\$60.9 million. There were no financial covenants in relation to the bank borrowings during the Track Record Period and up to the Latest Practicable Date. Our Group intended to finance the bank borrowings of our Group in the future by renewing revolving short term bank borrowings of our Group.

Upon the completion of the Reorganisation, our Directors believe that our Group will record net current assets positions, taking into account that (i) the capitalisation of the aggregate amount due to a Director and a Shareholder of HK\$79,990,000 as at the Latest Practicable Date; (ii) the estimated net proceeds from the Share Offer of approximately HK\$41.8 million (based on the mid-point of the indicative Offer Price range of HK\$1.30 per Offer Share); and (iii) the profits made by our Group since 31 October 2011 up to the Latest Practicable Date.

As at the Latest Practicable Date, pursuant to the Reorganisation, amounts due to related companies had been repaid and amounts due to a Director and a Shareholder had been capitalised, while the corporate guarantee by a related party had been released.

The net current liabilities of our Group decreased by approximately 46.5% from approximately HK\$120.6 million as at 31 March 2009 to approximately HK\$64.5 million as at 31 March 2010. Such decrease was mainly due to the reductions of trade payables and receipt in advance.

The net current liabilities of our Group decreased by approximately 36.9% from approximately HK\$64.5 million as at 31 March 2010 to approximately HK\$40.7 million as at 31 March 2011, mainly due to the reduction of receipt in advance.

The net current liabilities of our Group decreased by approximately 38.5% from approximately HK\$40.7 million as at 31 March 2011 to approximately HK\$25.0 million as at 31 October 2011, mainly due to the increase in trade and bills receivables.

Pursuant to the Reorganisation, the aforesaid amounts due to the above-mentioned director and shareholder have been capitalised as at the Latest Practicable Date. Our Directors expect that our Group will record a net current asset position upon completion of the Reorganisation. Details of the Reorganisation are set out in the section headed “Corporate history, development and Reorganisation” in this prospectus.

Cash flows

We conduct all of our operations through our operating subsidiary in the PRC. Cash flows generated by our operating subsidiary on a stand-alone basis may differ significantly from that presented in our combined statements of cash flow.

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The following table sets forth certain information regarding our combined statements of cash flow for the years/periods indicated:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Net cash generated from (used in) operating activities.....	19,557	30,081	12,619	(14,035)	(9,722)
Net cash (used in) generated from investing activities.....	(294)	12,243	(4,969)	126	(190)
Net cash (used in) generated from financing activities	(15,610)	12,258	(3,550)	(1,980)	(2,351)
Effect of foreign currency exchange rate changes.....	110	112	3,326	1,451	2,069
Cash and cash equivalents at the beginning of year/period (note).....	4,260	8,023	62,717	62,717	70,143
Cash and cash equivalents at the end of year/period (note).....	8,023	62,717	70,143	48,279	59,949

Note: The balances represented our cash and cash equivalents as of each of the relevant dates during the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2010 and 2011.

Net cash generated from (used in) operating activities

We derived our cash inflow from operating activities principally from the receipt of payments for the sale of our products. Our cash outflow from operating activities was principally applied for purchase of raw materials.

For the seven months ended 31 October 2011, we had net cash flows used in operating activities of approximately HK\$9.7 million. This was primarily due to an increase in trade and bills receivables of approximately HK\$17.7 million as a result of, among others, sales to our customer in October 2011 of approximately HK\$46.7 million, among which, HK\$32.0 million represents sales to customers which were allowed to settle balances within 30 days as compared to sales of approximately HK\$27.8 million in March 2011, among which, HK\$24.7 million represents sales to customers which were allowed to settle balances within 30 days, a decrease in receipt in advance of approximately HK\$8.6 million as the balance of receipt in advance was paid by one of the aforesaid major customers as deposits of the sales, increase in inventories of approximately HK\$7.3 million as a results of the drastic increase in market price of raw material during the period and increase in prepayment, deposits and other receivables of approximately HK\$3.1 million which was mainly due to the increase in prepaid expenses for the Listing. The changes were partially offset by cash flows from operating activities before working capital adjustments of approximately HK\$16.7 million and an increase in trade payables of approximately HK\$9.7 million as a result of extended overall credit terms offered by our suppliers.

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For the seven months ended 31 October 2010, we had net cash flows used in operating activities of approximately HK\$14.0 million. This was primarily due to an increase in inventories of approximately HK\$8.4 million when the inventories as at 31 October 2010 increased to the level similar to 31 March 2009 during the seven months ended 31 October 2010 from the relatively low level as at 31 March 2010 mainly attributable to the accelerated sales of our products near end of the year ended 31 March 2010, an increase in amounts due from related companies of approximately HK\$18.4 million for an advance made to the related company during the period and subsequently repaid before 31 March 2011, and a decrease in accruals and other payables of approximately HK\$9.2 million for the reduction of value added tax payable as at 31 October 2010. The changes were partially offset by cash flows from operating activities before working capital adjustments of approximately HK\$16.1 million and a decrease in trade receivables of approximately HK\$4.6 million due to increase in settlement from customers immediately before the end of the period.

For the year ended 31 March 2011, we had net cash flows generated from operating activities of approximately HK\$12.6 million. This was primarily contributed by cash flows from operating activities before working capital adjustments of approximately HK\$33.6 million and an increase in trade payables of approximately HK\$6.1 million arising from the decreased settlements of trade payables before end of the year and large amount of raw materials purchased by our Group near the end of the year. These cash flows were partially offset by an increase in trade receivables of approximately HK\$5.9 million due to decrease in repayment from customers which is in line with the increase in trade receivables turnover days as we may allow those customers with good payment history to settle the balance within 30 days from delivery of our products, an increase in inventories of approximately HK\$9.1 million due to the receive of large amount of raw materials partly used for the production of finished goods which had not yet sold out immediately before the end of the period, a decrease in accruals and other payables of approximately HK\$5.7 million due to the reduction of value added tax payable at the end of the year and a decrease in receipt in advance of approximately HK\$5.5 million due to a decrease in advance payments received from customers immediately before the end of the year.

For the year ended 31 March 2010, we had net cash flows generated from operating activities of approximately HK\$30.1 million. This was primarily contributed by cash flows from operating activities before working capital adjustments of approximately HK\$37.2 million, a decrease in inventories of approximately HK\$8.7 million due to the implementation of new policy to keep inventories at an approximately three to four weeks' level and an increase in amount due to a shareholder of approximately HK\$7.8 million. These cash inflows were partially offset by a decrease in trade payables of approximately HK\$9.2 million due to the increased settlements of trade payables before the end of March 2010 as a result of the early repayment upon the request of a major supplier, an increase in amount due from related companies of approximately HK\$6.7 million and a decrease in receipt in advance of approximately HK\$6.8 million due to a decrease in advance payments received from customers immediately before the end of the year.

For the year ended 31 March 2009, we had net cash flows generated from operating activities of approximately HK\$19.6 million. This was primarily due to the cash flows from operating activities before working capital adjustments of approximately HK\$18.4 million, an increase in receipt in advance of approximately HK\$20.3 million due to the drop of sales volume of our products immediately before the end of the year ended 31 March 2009 and thus less amount could be offset against the balance of receipt in advance when the relevant turnover was recognised, a decrease in inventories of approximately HK\$12.2 million due to the implementation of new policy to keep inventories at an approximately three to four weeks' level and a decrease in amount due from

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an associate of approximately HK\$6.2 million. These cash inflows were partially offset by a decrease in trade payables of approximately HK\$26.4 million due to the increased settlements of trade payables before end of the year and the reduce of raw materials purchased during the year because of the financial crisis and a decrease in amounts due to related companies of approximately HK\$14.5 million.

Net cash (used in) generated from investing activities

Our cash outflow from investing activities was principally for the purchase of property, plant and equipment and net cash outflow from disposal of subsidiaries. Our cash inflow from investing activities was principally from the bank interest received.

For the seven months ended 31 October 2011, we had net cash flows used in investing activities of approximately HK\$190,000, which was primarily arising from purchase of property, plant and equipment amounting to approximately HK\$603,000. This cash inflow was partially offset by bank interest received amounting to approximately HK\$413,000.

For the seven months ended 31 October 2010, we had net cash flows generated from investing activities of approximately HK\$126,000, which was primarily arising from bank interest received amounting to approximately HK\$365,000. This cash inflow was partially offset by purchase of property, plant and equipment amounting to approximately HK\$239,000.

For the year ended 31 March 2011, we had net cash flows used in investing activities of approximately HK\$5.0 million, which was primarily due to purchase of property, plant and equipment including the production facilities of fumaric acid and two storage tanks, amounting to approximately HK\$5.5 million. These cash outflows were partially offset by bank interest received amounting to approximately HK\$565,000.

For the year ended 31 March 2010, we had net cash flows generated from investing activities of approximately HK\$12.2 million, which was primarily due to capital reduction of an associate, Xiamen Nian Sheng Investment Management Co., Ltd., of approximately HK\$17.1 million. This cash inflow was partially offset by purchase of property, plant and equipment, mainly comprises of production facilities, amounting to approximately HK\$1.5 million and net cash outflow from disposal of subsidiaries of approximately HK\$3.5 million.

For the year ended 31 March 2009, we had net cash flows used in investing activities of approximately HK\$294,000, which was primarily due to purchase of property, plant and equipment amounting to approximately HK\$596,000. This cash outflow was partially offset by bank interest received amounting to approximately HK\$302,000.

Net cash (used in) generated from financing activities

We derive our cash inflow from financing activities principally from bank borrowings. Our cash outflow from financing activities relates primarily to our repayment of bank loans.

For the seven months ended 31 October 2011, we had net cash flows used in financing activities of approximately HK\$2.4 million, which was contributed by our interest paid on bank loans of approximately HK\$2.4 million.

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For the seven months ended 31 October 2010, we had net cash flows used in financing activities of approximately HK\$2.0 million, which was contributed by our interest paid on bank loans of approximately HK\$2.0 million.

For the year ended 31 March 2011, we had net cash flows used in financing activities of approximately HK\$3.6 million, which was primarily contributed by the repayment of bank loans of approximately HK\$59.2 million and interest paid on bank loans of approximately HK\$3.6 million. This cash outflow was partially offset by the proceeds from new bank loans for the usage of financing daily operation of our Group of approximately HK\$59.2 million.

For the year ended 31 March 2010, we had net cash flows generated from financing activities of approximately HK\$12.3 million, which was primarily contributed by the proceeds from new bank loans for the usage of financing daily operation of our Group of approximately HK\$91.1 million. This cash inflow was partially offset by our repayment of bank loans of approximately HK\$76.3 million and interest paid on bank loans of approximately HK\$2.6 million.

For the year ended 31 March 2009, we had net cash flows used in financing activities of approximately HK\$15.6 million, which was primarily contributed by our repayment of bank loans of approximately HK\$56.8 million. This cash outflow was partially offset by the proceeds from new bank loans for the usage of financing daily operation of our Group of approximately HK\$42.0 million and the decrease of pledged bank deposits amounting to approximately HK\$2.4 million.

Financial ratios

The following table sets forth our current ratio, gearing ratio, quick ratio, return on equity and return on assets as of the dates indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
Current ratio	0.26	0.58	0.73	0.82
Gearing ratio	0.84	0.74	0.67	0.64
Quick ratio	0.13	0.51	0.60	0.65
Return on assets	0.06	0.19	0.11	0.05
Return on equity	0.73	1.75	0.50	0.17

Notes:

1. Current ratio is calculated based on current assets divided by current liabilities.
2. Gearing ratio is calculated based on total debt divided by total assets.
3. Quick ratio is calculated based on current assets less inventories and properties held for sale and then divided by current liabilities.
4. Return on assets is calculated based on profit attributable to owners of our Company divided by total assets.
5. Return on equity is calculated based on profit attributable to owners of our Company divided by total equity.

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Current ratio

Our current ratio was 0.26, 0.58, 0.73 and 0.82 as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively. Our current ratio increased from 0.26 as at 31 March 2009 to 0.58 as at 31 March 2010, and further increased to 0.73 as at 31 March 2011 and 0.82 as at 31 October 2011, primarily due to the cumulation of cash inflows resulting from the profits earned, disposal of subsidiaries and an associate and the reduction of receipt in advance.

Gearing ratio

Our gearing ratio was 0.84, 0.74, 0.67 and 0.64 as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively. Our gearing ratio decreased from 0.84 as at 31 March 2009 to 0.74 as at 31 March 2010 and further decreased to 0.67 and 0.64 as at 31 March 2011 and 31 October 2011, primarily due to increase in total assets as a result of the cumulation of cash inflow resulting from the profits earned.

Quick ratio

Our quick ratio was 0.13, 0.51, 0.60 and 0.65 as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively. Our quick ratio increased from 0.13 as at 31 March 2009 to 0.51 as at 31 March 2010, primarily due to the increase in cash and cash equivalents and the decrease in inventories. Our quick ratio increased from 0.51 as at 31 March 2010 to 0.60 as at 30 March 2011, and further increased to 0.65 as at 31 October 2011, primarily due to the decrease in receipt in advance.

Return on assets

Our return on assets was 0.06, 0.19, 0.11 and 0.05 as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively. Our return on assets increased from 0.06 as at 31 March 2009 to 0.19 as at 31 March 2010, primarily due to the significant improvement of profit. Our return on assets decreased from 0.19 as at 31 March 2010 to 0.11 as at 31 March 2011 and further decrease to 0.05 as at 31 October 2011, primarily due to the increased assets resulting from the increase in cash and cash equivalents as at 31 March 2011 as well as the inclusion of an one-off gain on disposal of subsidiaries and an associate in the profit for the year ended 31 March 2010.

Return on equity

Our return on equity was 0.73, 1.75, 0.50 and 0.17 as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively. Our return on equity increased from 0.73 as at 31 March 2009 to 1.75 as at 31 March 2010, primarily due to the significant improvement of net profit for the year ended 31 March 2010. Our return on equity decreased from 1.75 as at 31 March 2010 to 0.50 as at 31 March 2011, and further decrease to 0.17 as at 31 October 2011, primarily due to the increase in equity as a result of the profit earned during the year ended 31 March 2011 as well as the inclusion of an one-off gain on disposal of subsidiaries and an associate in the profit for the year ended 31 March 2010.

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INDEBTEDNESS

Borrowings

As at the close of business on 31 January 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this prospectus, our Group had outstanding borrowings of approximately HK\$141,510,000, which comprised of bank borrowings of approximately HK\$61,520,000, amount due to a Director of approximately HK\$8,000 and amount due to a Shareholder of approximately HK\$79,982,000. The following table sets forth our borrowings as at the date indicated:

	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011	As at 31 January 2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Amounts due to related companies	21,632	—	—	—	—
Amount due to a Director	6	7	7	8	8
Amount due to a Shareholder .	61,710	69,517	73,688	79,982	79,982
Bank borrowings	42,014	56,960	59,270	60,880	61,520
	<u>125,362</u>	<u>126,484</u>	<u>132,965</u>	<u>140,870</u>	<u>141,510</u>

The range of effective interest rates on bank borrowings for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 is 5.31% to 8.22%, 5.35% to 6.37%, 5.58% to 6.67% and 6.67% to 8.53% per annum, respectively.

The amounts due to related companies, a Director and a Shareholder were unsecured, interest-free and repayable on demand.

As at the Latest Practicable Date, amounts due to related companies had been repaid and amounts due to a Director and a Shareholder had been capitalised pursuant to the Reorganisation, while the corporate guarantee by a related party had been released.

As at 31 January 2012, our Group had total banking facilities of approximately HK\$61,520,000 which were fully utilised and were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK\$1,962,000, HK\$28,210,000, HK\$48,428,000 and HK\$35,000 respectively.

As at 31 October 2011, our Group had total banking facilities of approximately HK\$60,880,000 which were fully utilised and were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK\$1,955,000, HK\$28,142,000, HK\$49,004,000 and HK\$40,000 respectively.

As at 31 March 2011, our Group had total banking facilities of approximately HK\$59,270,000 which were fully utilised and were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK\$1,935,000, HK\$27,907,000, HK\$52,461,000 and HK\$171,000 respectively.

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As at 31 March 2010, our Group had total banking facilities of approximately HK\$56,960,000 which were fully utilised and were secured by guarantee provided by Xiangnan Xincheng, a related company of our Group. The corporate guarantee provided by Xiangnan Xincheng was fully released on 25 October 2010.

As at 31 March 2009, our Group had total banking facilities of approximately HK\$42,014,000 which were fully utilised and were secured by prepaid lease payments for land use rights and property, plant and equipment, amounting to approximately HK\$1,957,000 and approximately HK\$25,645,000 respectively, and guarantee provided by Xiangnan Xincheng, a related company of our Group.

Contingent liabilities

As at 31 January 2012, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 January 2012, our Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities. Our Directors confirm that, up to the Latest Practicable Date, there have been no material changes in our indebtedness, capital commitments and contingent liabilities from 31 January 2012.

CAPITAL EXPENDITURE

The following table sets out our capital expenditures for the years/period indicated:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Buildings	238	242	2,497	–
Plant and machinery	335	947	3,005	587
Furniture, fixtures and equipment.....	23	18	32	16
Motor vehicle	–	317	–	–
Total	596	1,524	5,534	603

During the year ending 31 March 2013, our Group estimated the capital expenditure of approximately HK\$18.8 million will be used for the purchase of machinery and equipment relating to expansion of production facilities, and approximately HK\$16.7 million will be used for the setting up of supporting facilities to support the expansion and upgrading of the production capacity.

FINANCIAL INFORMATION

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including bank loans and other internal resources, the estimated net proceeds of the Share Offer and in the absence of unforeseen circumstances, our Group has sufficient working capital for our present requirements at least in the next twelve months commencing from the date of this prospectus.

COMMITMENT

As at 31 October 2011, our Group and our Company did not have any significant capital commitment and operating lease commitments.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 9 August 2010. As at 31 October 2011, our Company had no reserves available for distribution to our equity holders.

OUR DIVIDEND POLICY

During the year ended 31 March 2011, NWCI declared a dividend in the sum of approximately HK\$23.2 million to its sole shareholder, Great Top. On 10 November 2011, Great Top declared a dividend in the sum of HK\$10.0 million. The above dividends had been fully settled in cash as at the Latest Practicable Date. Save for the above, our Group did not declare nor pay any dividends to any party during the Trade Record Period.

After the completion of the Share Offer and the Capitalisation Issue, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the recommendations of our Directors and approval of our Shareholders. Under the Articles of Association, our Directors have the power to pay interim dividends but only if they are justified by the profits of our Company. The decision to pay dividends will be reviewed in light of factors such as the results of our operations, financial conditions and positions, and other factors deemed relevant. Our Directors currently have no intended dividend payout ratio for the year ending 31 March 2012.

The PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles which differ from generally accepted accounting principles in other jurisdictions, including HKFRSs. The PRC laws also require foreign-invested enterprises such as our subsidiary in the PRC, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Our Group has applied the preferential rate of 5% as our Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

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Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on our net tangible assets as of 31 October 2011 as if it had taken place on 31 October 2011.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 31 October 2011 or any future date following the Share Offer. It is prepared based on our combined net assets as of 31 October 2011 as derived from our combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to owners of our Company as at 31 October 2011	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on an Offer Price of HK\$1.10 per Share	57,638	35,458	93,096	0.47
Based on an Offer Price of HK\$1.50 per Share	57,638	54,856	112,494	0.56

Notes:

1. The audited combined net tangible assets attributable to owners of our Company as at 31 October 2011 is based on the combined net assets attributable to owners of our Company of approximately HK\$57,638,000 as at 31 October 2011 extracted from the accountants' report set out in Appendix I to this prospectus.
2. The estimated net proceeds from Share Offer are based on the Offer Shares and the Offer Price of HK\$1.10 or HK\$1.50 per Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and related expenses (excluding approximately HK\$3,357,000 listing-related expense which has been accounted for prior to 31 October 2011) payable by our Company and taking no account of any Shares which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 200,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.

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- (4) Our Group's property interests as at 31 December 2011 have been valued by Savills Valuation and Professional Services Limited, an independent property valuer, and the relevant property valuation report is set out in "Appendix III — Property Valuation". The above unaudited pro forma adjusted combined net tangible assets do not take into account the valuation surplus attributable to our Group of approximately HK\$5,631,000. The revaluation surplus will not be recorded in our Group's financial statements for the year ending 31 March 2012. If the valuation surplus were to be recorded in our Group's financial statements, additional depreciation and amortisation of approximately HK\$57,000 would be charged against the profit for the year ending 31 March 2012.

PROPERTY INTERESTS AND PROPERTY VALUATION

As at the Latest Practicable Date, our Group held one property in the PRC and leased one property in the PRC and Hong Kong respectively from 2 Independent Third Party as our production facilities and offices as the case may be. The details of which are set out in Appendix III to this prospectus.

Savills Valuation and Professional Services Limited, an independent property valuer, has valued our property interest as at 31 December 2011 and is of the opinion that the value of our property interests was approximately RMB29.2 million (approximately HK\$35.6 million). There is a net revaluation surplus, representing the excess market value of the properties over the book value as at 31 December 2011. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

Disclosure of the reconciliation between the valuation of the interests in properties attributable to our Group and such property interests in our Group's combined statements of financial position as at 31 October 2011 contained in the accountants' report as required under Rule 5.07 of Listing Rules is set forth below:

Carrying value of the property interests as at 31 October 2011 (audited) comprises of:	HK\$'000
– Buildings	28,142
– Prepaid lease payments for land use rights	1,955
Add: Exchange alignment.....	73
Less: Amortisation and depreciation for the two months ended 31 December 2011	(159)
Carrying value of the property interests as at 31 December 2011 (unaudited)	30,011
Add: Valuation surplus as at 31 December 2011	5,631
Valuation as at 31 December 2011 as per Appendix III to this prospectus.....	35,642

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 33 of the accountants' report in Appendix I to this prospectus, our Directors confirm that the transactions were conducted on normal commercial terms and/or terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of the Shareholders as a whole.

Outstanding balances with related companies

As at 31 March 2009, 2010 and 2011 and 31 October 2011, we had amounts due from related companies of approximately HK\$0.8 million, nil, nil and nil respectively. The balances due were non-trade in nature, unsecured, interest-free and recoverable on demand.

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As at 31 March 2009, 2010 and 2011 and 31 October 2011, we had amounts due to related companies of approximately HK\$21.6 million, nil, nil and nil respectively. The balances due were non-trade in nature, unsecured, interest-free and repayable on demand.

Amount due to a Shareholder

As at 31 March 2009, 2010 and 2011 and 31 October 2011, we had an amount due to a Shareholder of approximately HK\$61.7 million, HK\$69.5 million, HK\$73.7 million and HK\$80.0 million respectively. The balances due were non-trade in nature, unsecured, interest-free and had no fixed term of repayment. The carrying amount of the balances approximated to its fair value.

Amount due to a Director

As at 31 March 2009, 2010 and 2011 and 31 October 2011, we had an amount due to a Director of approximately HK\$6,000, HK\$7,000, HK\$7,000 and HK\$8,000 respectively. The balances due were non-trade in nature, unsecured, interest-free and had no fixed term of repayment. The carrying amount of the balances approximated to its fair value.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Credit risk

The carrying amounts of trade receivables and amounts due from related companies included in the combined statements of financial position represent our Group's maximum exposure to credit risk in relation to our Group's financial assets. No other financial assets carry a significant exposure to credit risk.

In order to minimise the credit risk, the management of our Group has adopted credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, our Directors consider that our Group's credit risk is significantly reduced.

Substantially all of our Group's cash and cash equivalents are mainly deposited in the state-controlled PRC banks which our Directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Our Group will consistently maintain a prudent financial policy and ensure that we maintain sufficient cash to meet our liquidity requirements.

Interest rate risk

Our Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose our Group to cash flow interest rate risk. Our Group's income and operating cash flows are substantially independent of changes in market interest rates. Our Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of our Group were in the PRC and most of the transactions were denominated in RMB. Our Group did not use any derivative financial instruments to hedge for our foreign exchange risk exposure during the Track Record Period.

Commodity risk

Given that OX is a by-product of crude oil, our Group's profitability depends on the prices of crude oil. Prices of crude oil are affected by numerous factors such as interest rates, exchange rates, inflation or deflation and global and regional supply and demand. Our Group does not have any plans or did not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of crude oil to mitigate our commodity risk exposure. Therefore, fluctuations in the prices of crude oil, and hence, prices of orthoxylen, will have a direct effect on our Group's turnover and profit. However, our management monitors the commodity risk exposure and will consider hedging significant commodity risk exposure should the need arise.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading positions or prospects of our Group since 31 October 2011, being the date on which the latest financial information of our Group was reported in the accountants' report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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