友川集團控股有限公司

NEWTREE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(A HKEX Listed Company Stock Code: 1323)

2011/2012
ANNUAL REPORT 年報

CONTENTS

Corporate Information

Executive Directors

Mr. Chum Hon Sing *(Chairman)*
(resigned as Chief Executive Officer and appointed as Chairman on 15 May 2012)
Mr. Wong Wai Sing
(Vice-Chairman and Chief Executive Officer)
(appointed as Vice-Chairman on 4 October 2011 and appointed as Chief Executive Officer on 15 May 2012)
Mr. Lee Chi Shing, Caesar
(appointed on 4 October 2011)
Mr. Tsang Ho Ka, Eugene
(appointed on 24 April 2012)
Ms. Sung Ting Yee (appointed on 24 April 2012)
Ms. Yick Mi Ching, Dawnibilly
(appointed on 1 June 2012)
Mr. Chum Tung Hang (resigned on 15 May 2012)
Ms. Lei Sao Cheng (resigned on 15 May 2012)

Independent Non-executive Directors

Mr. Kwok Kam Tim (appointed on 24 April 2012)
Mr. Kinley Lincoln James Lloyd
(appointed on 24 April 2012)
Dr. Hui Chik Kwan (appointed on 24 April 2012)
Mr. Chan Bing Chung (resigned on 15 May 2012)
Mr. Chow Tsu-Yin (resigned on 15 May 2012)
Mr. Lee Thomas Tuan-Tong
(resigned on 15 May 2012)

Authorised Representatives

Mr. Chan Shiu Yuen, Sammy
Mr. Tsang Ho Ka, Eugene
(appointed on 15 May 2012)
Mr. Chum Hon Sing (resigned on 15 May 2012)

Audit Committee Members

Mr. Kwok Kam Tim *(Chairman)*
(appointed on 15 May 2012)
Mr. Kinley Lincoln James Lloyd
(appointed on 15 May 2012)
Dr. Hui Chik Kwan (appointed on 15 May 2012)
Mr. Chan Bing Chung *(Chairman)*
(resigned on 15 May 2012)
Mr. Chow Tsu-Yin (resigned on 15 May 2012)
Mr. Lee Thomas Tuan-Tong
(resigned on 15 May 2012)

Remuneration Committee Members

Mr. Kwok Kam Tim *(Chairman)*
(appointed on 15 May 2012)
Mr. Kinley Lincoln James Lloyd
(appointed on 15 May 2012)
Dr. Hui Chik Kwan (appointed on 15 May 2012)
Mr. Chow Tsu-Yin *(Chairman)*
(resigned on 15 May 2012)
Mr. Lee Thomas Tuan-Tong
(resigned on 15 May 2012)
Mr. Chan Bing Chung (resigned on 15 May 2012)
Mr. Chum Tung Hang (resigned on 15 May 2012)

Nomination Committee Members

Mr. Kwok Kam Tim *(Chairman)*
(appointed on 15 May 2012)
Mr. Kinley Lincoln James Lloyd
(appointed on 15 May 2012)
Dr. Hui Chik Kwan (appointed on 15 May 2012)
Mr. Lee Thomas Tuan-Tong *(Chairman)*
(resigned on 15 May 2012)
Mr. Chow Tsu-Yin (resigned on 15 May 2012)
Mr. Chan Bing Chung (resigned on 15 May 2012)

Corporate Information

Company Secretaries

Mr. Chan Shiu Yuen, Sammy, *HKICPA, FCCA*
Mr. Tsang Ho Ka, Eugene,
ATIHK, AMA, BCom(UNSW), CPA (Aust.), CPA, CTA, MHKIoD, MHKMIPA
(appointed on 24 April 2012)

Principal Bankers

Bank of China Huizhou Huihuan Sub-branch
Bank of China, Macau Branch
DBS Bank (Hong Kong) Limited

Compliance Adviser

Guotai Junan Capital Limited

Listing Exchange Information

Place of listing: Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 1323

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters

Flat L, 12th Floor
Macau Finance Centre
Rua de Pequim
Macau

Principal Place of Business in Hong Kong

Room 601, 6/F.
Aon China Building
No. 29 Queen's Road Central
Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609, Grand Cayman KY1-1107
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

Auditor

Deloitte Touche Tohmatsu

Company's Website

www.newtreegroupholdings.com

Chairman's Statement

I am pleased to present on behalf of the Board (the "Board") of directors (the "Directors") of Newtree Group Holdings Limited (the "Company") the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2012.

Results

During the period under review, the revenue had dropped from HK$426.2 million in 2011 to HK$259.0 million in 2012, the decrease was mainly due to the unfavourable economic conditions in the Europe and the United States of America the Group's major market operated. The decrease in revenue and the increase of costs in major raw material lead to an attributable loss to shareholders of approximately HK$33.5 million.

During the year, the Group had entered into the Methyl Tertiary Butyl Ether ("MTBE") business and the household consumable business through acquisition of subsidiaries in Hong Kong and the United Kingdom. Since the completion of these acquisitions were near the end of the financial year, the contributions by these two business were not too significant.

Prospects

Looking ahead, the Group will continue to improve the production and operation efficiency in manufacturing and trading of hygienic disposals, proactively seeking business development opportunities in profitable target companies. While the future of the global economy may face a challenging time ahead, the management of the Company is committed to dedicate its efforts to lead the entire group to maximize benefits for the shareholders of the Company.

Finally, I would like to take this opportunity to extend my sincere gratitude to all our business partners, shareholders, directors and staff for their support and contribution to the Group during the past year. With their continued trust and assistance, we are confident that the Group will overcome any difficulties that may come ahead.

Chum Hon Sing
Chairman

28 June 2012

Management Discussion and Analysis

Business Review

During the year under review, the Group has engaged in manufacturing and trading of hygienic disposable products for household and clinical uses ("Hygienic Disposables Business") in the Peoples' Republic of China ("PRC") and Macau. Further during the year under review the Group has acted as agent for a customer in relation to trading of Methyl Tertiary Butyl Ether (MTBE) products in Hong Kong ("HK"), ("MTBE Business") and the Group had engaged in the wholesale and retail of household consumables ("Household Consumables Business") in the United Kingdom.

For the year under review, the Group recorded a net loss attributable to the owners of the Company of approximately HK$33.5 million (2011: net profit attributable to owner of the Company was approximately HK$54.9 million).

Revenue

The Group's revenue decreased by HK$167.2 million or 39.2% from HK$426.3 million for the year ended 31 March 2011 to HK$259.1 million for the corresponding period in 2012.

The following table sets forth a breakdown of the Group's revenue by geographical locations and segments and as a percentage of the Group's total revenue for the year ended 31 March 2012, with comparative figures for the corresponding period in 2011.

	2012 HK$'000	**2012 %**	2011 HK$'000	2011 %
By Segment:				
– Hygienic Disposables Business	**245,027**	**94.6**	426,272	100.0
– MTBE Business	**807**	**0.3**	–	–
– Household Consumables Business	**13,260**	**5.1**	–	–
Total	**259,094**	**100.0**	426,272	100.0
By geographical locations:				
United Kingdom	**151,778**	**58.6**	146,326	34.3
Norway	**79,998**	**30.9**	100,047	23.5
United States of America ("USA")	**16,808**	**6.5**	167,374	39.3
Ireland	**4,287**	**1.7**	–	–
France	**3,381**	**1.3**	–	–
Sweden	**889**	**0.3**	1,805	0.4
PRC	**807**	**0.3**	–	–
Germany	**781**	**0.3**	3,918	0.9
Others	**365**	**0.1**	6,802	1.6
	259,094	**100.0**	426,272	100.0

The Group's revenue on the Hygienic Disposables Business decreased by HK$181.3 million or 42.5% from HK$426.3 million for the year ended 31 March 2011 to HK$245.0 million for the corresponding period in 2012 mainly due to the downturn of the economic condition of the United States of America ("US") and European market which is the major market of these products. Revenue for MTBE Business and Household Consumables Business was generated from business newly acquired by the Group during the year and no comparison was available.

Business Review *(Continued)*

Cost of sales

Cost of sales decreased by 20.6% from HK$315.3 million for the year ended 31 March 2011 to HK$250.5 million for the corresponding period in 2012. The decrease was mainly due to the drop in revenue and partially offset by the increase of the amortisation of other intangible assets of HK$20,142,000.

Gross profit and gross profit margin

Gross profit decreased by HK$102.3 million or 92,3%, from HK$110.9 million for the year ended 31 March 2011 to HK$8.6 million for the corresponding period in 2012. The Group's gross profit margin on the Hygienic Disposables Business decreased from 26.0% for the year ended 31 March 2011 to 10.7% for the corresponding period in 2012, primarily as a result of the increase in cost of the primary and auxiliary material which cannot fully transferred to our customer due to the unfavourable market condition. In addition, the unstable supply of power, where the factory is located caused periodic interruptions to the production line which resulted in higher re-start cost and wastage of materials. Due to the amortisation of other intangible assets of HK$19,975,000 the MTBE Business record a gross losses for the year. Due to the acquisition of the Household Consumables Business comes in close to the financial year end, the contribution from these two business segment was not too significant to the Group.

The following table sets forth the Group's gross profit (losses) and the gross profit (losses) margin by business segment for the year ended 31 March 2012, with comparative figures for the corresponding period in 2011.

	Year ended 31 March			
	2012	**2012**	2011	2011
	HK$'000	**%**	HK$'000	%
By Segment:				
– Hygienic Disposables Business	**26,137**	**10.7**	110,931	26.0
– MTBE Business	**(19,167)**	**(2,375.1)**	–	–
– Household Consumables Business	**1,620**	**12.2**	–	–
	8,590	**3.3**	110,931	26.0

The gross profit derived from Hygienic Disposables Business decreased by HK$84.8 million or 76.4%, from HK$110.9 million for the year ended 31 March 2011 to HK$26.1 million for the corresponding period in 2012. The MTBE Business and Household Consumables Business was newly acquired during the year and no comparative information was available.

Business Review *(Continued)*

Other income

Other income mainly consists of service income and interest income. Other income increased by HK$1.5 million or 125.1%, from HK$1.2 million for the year ended 31 March 2011, to HK$2.6 million for the corresponding period in 2012 mainly due to the increase in service income and interest income.

Other gains and losses

Other gains and losses mainly consists of net exchange gain (losses) and impairment of trade and other receivables. For the year ended 31 March 2012, the other gains and losses comprises an impairment loss on trade and other receivable of HK$3.7 million and a net exchange gain of HK$1.7 million while for the corresponding year in 2011, the other gains and losses mainly consists of a net exchange losses of HK$2.4 million.

Selling and distribution expenses

Selling and distribution expenses mainly consist of transportation expenses, custom and inspection fee and commission paid to sales agents who may from time to time introduce new order to our Group. The selling and distribution expenses decreased by HK$2.0 million or 17.6%, from HK$11.3 million for the year ended 31 March 2011 to HK$9.3 million for the corresponding period in 2012 and this was mainly due to the decrease in commission paid and freight charges.

Administrative expenses

Administrative expenses mainly consists of salaries (including directors), staff welfare expenses, amortization of prepaid lease payment, depreciation of properties, plants and equipment in relation to the administrative functions, and amortisation of other intangible assets. The administrative expenses increased by HK$14.3 million or 76.9% from HK$18.7 million for the year ended 31 March 2011 to HK$33.0 million for the corresponding period in 2012 mainly due to the increase in salaries for director and senior management, increase in legal and professional fee for the acquisition and amortisation of other intangible assets.

Other expenses

Other expenses represents legal and professional fee paid to professional parties relating to the acquisition of MTBE Business and Household Consumables Business while no such expenses was record for the year ended 31 March 2011.

Business Review *(Continued)*

(Loss) profit before tax

The Group recorded losses before tax of HK$37.0 million during the year ended 31 March 2012 (as compared to profit before tax of HK$56.7 million during the year ended 31 March 2011) the losses in 2012 were mainly due to the substantial decrease in gross profit of HK$102.3 million, increase in administrative expenses of HK$14.3 million, increase in other expenses of HK$3.9 million, which was partially offset by the increase in other income of HK$1.5 million and the decrease in selling and distribution expenses of HK$2.0 million decrease in other gain and losses of HK$0.4 million and listing expenses of HK$23.1 million.

Income tax credit (expense)

The Group recorded a tax credit of HK$1.9 million during the year ended 31 March 2012 (as compare to the tax expenses of HK$1.8 million during the year ended 31 March 2011).

Total comprehensive (expense) income for the year attributable to owners of the Company

Total comprehensive (expense) income for the year attributable to owners of the Company decreased by HK$85.7 million or 149.8% from profit of HK$57.2 million for the year ended 31 March 2011 to loss of HK$28.5 million for the corresponding period in 2012.

Final dividend

No dividend was proposed during the year ended 31 March 2012, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 March 2011, the directors proposed dividend of HK$0.03 per share amounting to approximately HK$20,000,000 in aggregate. The dividend was paid during the year ended 31 March 2012.

In addition, the dividend recognised as distribution of HK$140,000,000 during the year ended 31 March 2011 represented dividend declared by Two-Two-Free on 30 June 2010 prior to the completion of the group reorganisation carried out for the listing of the Company's share on the Stock Exchange (the "Group Reorganisation"). The shareholders are directors of Two-Two-Free and the dividend distribution was settled through the balances with the directors of Two-Two-Free.

Management Discussion and Analysis

Financial Review

Liquidity and financial resources

The Group's principal source of working capital was cash generated from the sales of its products. The Group's current ratio as at 31 March 2012 was 10.6 (as at 31 March 2011: 15.5). As at 31 March 2012 and 31 March 2011, the gearing ratio, which is calculated with total borrowings over shareholder's equity, was zero.

Currency and interest rate exposure

Certain sales transactions of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risks. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. Certain monetary financial assets are denominated in foreign currencies as at 31 March 2012. The exposure in exchange rate risks mainly arose from fluctuations of United State Dollar ("USD"), Hong Kong Dollar ("HKD"), Great Britain Pound ("GBP") and Macau Pataca ("MOP"). The Group's currency risk exposure in relation to the monetary financial assets is expected to be minimal as USD and MOP are pegged with HKD.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on interest rates arising from the Group's bank balances and pledged bank deposit. The Group's exposure to interest rate risks on bank balances and pledged bank deposit is expected to be minimal.

Charge on assets

A bank deposit of HK$62.3 million and certain leasehold land and building with carrying value of HK$13.3 million (2011: HK$59.5 million and nil) has been pledged as security for certain banking facilities granted to the Group.

Contingent Liabilities

As at 31 March 2012, the Group did not have any material contingent liabilities.

Commitments

As at 31 March 2012, the Group did not have any material commitments.

Management Discussion and Analysis

Material Acquisition and Disposal

During the year ended 31 March 2012, the Company had the following acquisition of subsidiaries:

On 15 November 2011, the Group through its subsidiary Greenstar Enviro-Tech Investments Company Limited ("Greenstar") entered into a conditional sale and purchase agreements with Mr. Woo Man Wai, David for the acquisition of the entire equity interest in Sino-Singapore (Offshore) Chemical Resources Trading Company Limited for a cash consideration of HK$25 million. The acquisition was completed on 6 December 2011 and such company became a subsidiary of the Company upon completion.

On 20 January 2012, the Group through its subsidiary Greenstar entered into a sale and purchase agreements with Mr. James Macrae and Mrs. P Macrae for the acquisition of the entire equity interest in S&J Distribution Limited for a total cash consideration of approximately HK$23,486,000 and the acquisition was completed on 20 January 2012 and such company became a subsidiary of the Company upon completion.

Proposed Acquisition

On 6 March 2012, the Group through its subsidiary Greenstar entered into agreement with Core Winner Holdings Limited to jointly invest in 北京思科微創醫療科技有限公司 (Beijing Think Micro-Medical Technology Limited), a company established in the PRC for not more than HK$12,000,000. The completion of the acquisition will be subject to the obtaining all the necessary approval from the relevant government authority in the PRC.

Human Resources

The number of employees of the Group as at 31 March 2012 was approximately 145, whom receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses based on individual performance. The Group provides a comprehensive benefits package and career development opportunities, including medical benefits and both internal and external training appropriate to each individual's requirements.

Prospects

Hygienic Disposables Business

The Group continues to provide quality service and product to our customers in order to achieve the Group's vision to become a leading manufacturing of household and clinical hygienic disposables in European countries and US. Despite of the unfavourable economic condition in the European countries and US, the Group has confidence to achieve steady income stream from our existing customer in the coming years.

Management Discussion and Analysis

Prospects *(Continued)*

MTBE Business

The acquisition of the MTBE Business during the year provides an opportunity for the Group to enter into the petro-chemical market in the PRC, the acquisition of the MTBE Business not only brings in stable income to the Group, but also, a chance to diversify the Group's business area with rooms to growth.

Household Consumable Business

The acquisition of the Household Consumable Business acts as a stepping stone for the Group to expand into other European countries for both the Household Consumable Business and the Hygienic Disposables Business as customers in these two business are inter-related. Acquisition of this Business provides steady growths in terms of revenue and profit to the Group.

Directors and Senior Management

Executive Directors

Mr. Chum Hon Sing ("Mr. Chum"), aged 33, an executive Director and chairman of the Company. He graduated from University Hill Secondary School in British Columbia, Canada in 1996. Mr. Chum is the son of Mr. Chum Tung Hang and Ms. Lei Sao Cheng, each of whom is an executive Director. Mr. Chum is primarily responsible for devising the Group's business development strategies and overseeing their due execution. Mr. Chum is also responsible for overseeing the manufacturing and sales functions as well as the daily operations of the Group. Since Mr. Chum joining of the Group in 1999, Mr. Chum has taken up roles in different functions within the Group. Prior to assuming his current position of the Group, Mr. Chum worked as the production manager, purchasing manager and sales manager of the Group where Mr. Chum was responsible for overseeing the production and design of the Group's products, purchase of raw materials and machinery as well as expansion of the Group's overseas markets. Since joining the Group, Mr. Chum has successfully led the Group to become an exporter of clinical and household hygienic disposables with innovative designs which include products made with oxo-biodegradable materials, and secured and maintained stable business relationships with various well-established customers in the European Union and the USA. He also expands the markets to the United Kingdom of Great Britain and Northern Ireland by acquisition.

Mr. Wong Wai Sing ("Mr. Wong"), aged 26, an executive Director, vice chairman and chief executive officer of the Company. Mr. Wong is a member of the Hong Kong Institute of Directors ("HKID"). Mr. Wong holds a bachelor of science degree in international business from the Canterbury University, London, an international master degree of business administration from the Stratford University, Falls Church, Virginia, the USA and a master of arts and a doctor of philosophy from the Universidad Empresarial De Costa Rica. He also obtained a certificate of three-tiers' integrate coal mine's safety (三級煤礦安全技術綜合考試) from the Bureau of Xinjiang Coal Mine Safety Supervision, the PRC (中國新疆煤礦安全監察局) and a diploma of lifestyle medicine for stress management from the Harvard Medical School Department of Continuing Education. Mr. Wong is also the Trade Adviser of the Honorary Consulate of Equatorial Guinea to Bucharest Romania and the Diplomatic Adviser to the Special Representatives for the PRC of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, Federation of the Autonomous Priories.

Mr. Wong has experience and/or interests in a wide range of business, including the coal mining, natural resources industry, international coal trading, business consultation, property investment, provision of internet e-gaming, rendering of travel agent services, entertainment programme production, events organization, TV series production, operation of an artist training school, provision of motor vehicles beauty services and provision of underwriting services for general insurance and reinsurance business. He is also the owner of Colors Securities Limited which is principally engaged in dealing in securities (Type 1), advising on securities (Type 4) and asset management (Type 9) and Colors Commodities Limited which is principally engaged in dealing in futures contracts (Type 2) and advising on futures contracts (Type 5).

Mr. Wong was a consultant of a Hong Kong-based medium-sized CPA firm for more than 1 year. He was also a chairman and an executive director of TLT Lottotainment Group Limited, a company incorporated in Hong Kong and the issued shares of which are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange (stock code: 8022), from 17 April 2009 to 31 May 2011. Mr. Wong is currently an executive director and the chairman of Ming Kei Holdings Limited (the "Ming Kei"), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which listed on the GEM (stock code: 8239).

Executive Directors *(Continued)*

Mr. Lee Chi Shing, Caesar ("Mr. Lee"), aged 48, is the Executive Director of the Group and also the Info communication Holdings Limited, is experienced in corporate management and internal control. He was an executive director of Tanrich Financial Holdings Limited, a company listed on the main board of the Stock Exchange, from 1 November 2004 to 29 June 2005. In 2000, he joined Ernst and Young, an international accounting firm, as a senior manager. He has worked in the Inland Revenue Department for over 15 years after his graduation. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants ("ACCA"). In addition, he is a member of the Society of Registered Financial Planners. Mr. Lee graduated from the Department of Accountancy of Hong Kong Polytechnic University in 1985. He later obtained a Master degree in International Accountancy in 2001. Mr. Lee is also the executive director of Sun Century Group Limited (stock code: 1383) and Sun International Resources Limited (stock code: 8029) the shares of which are listed on the main board and GEM of the Stock Exchange.

Mr. Tsang Ho Ka, Eugene ("Mr. Tsang"), aged 30, is a Certified Practising Accountant of the CPA Australia, a Certified Public Accountant ("CPA") of the HKICPA, a member of the HKID, an associate management accountant of the Institute of Certified Management Accountants, Australia, an associate of the Taxation Institute of Hong Kong, a full member of the Institute of Accountants Exchange, a Certified Tax Adviser of the Taxation Institute of Hong Kong and also the member of the Hong Kong Mining Investment Professionals Association. Mr. Tsang holds a bachelor's degree in commerce from the University of New South Wales, Australia and also completed an accounting extension course of Australian Taxation Law and Australian Corporations Law in the University of Sydney, Australia. Mr. Tsang has over 9 years of experience in accounting and financial management and previously worked in an international CPA firm and a company listed in the Hong Kong Special Administrative Region of the People's Republic of China (the "PRC"). Mr. Tsang is also the founder of the Gattaca Company Limited, an independent consultancy company specializing in corporate restructuring and financial reengineering. Mr. Tsang has experience in a wide range of business, including trading and distribution of recycled computers and related accessories, the provision of information technology consulting and related maintenance services, trading of bags and accessories, coordination of various logistics services, the coal mining, sale and distribution of coals in the PRC, international coal trading, general trading in the PRC, property investments, business consultancy and financial printing services. Prior to join this Company, Mr. Tsang was the company secretary and the qualified accountant of the Richfield Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which were previously listed on the GEM (stock code: 8136) and subsequently transferred to the Main Board of the Stock Exchange (stock code: 183) from March 2006 – March 2007. Mr. Tsang is also the executive director and company secretary of the Ming Kei.

Executive Directors *(Continued)*

Ms. Sung Ting Yee ("Ms. Sung"), aged 37, holds a bachelor's degree of arts (Honours) in accountancy from the Birmingham City University (formerly known as University of Central England), United Kingdom. She is a Certified Public Accountant of the HKICPA and has over 14 years of experience in accounting, auditing and internal audit in both Hong Kong and the PRC respectively and previously worked in an international CPA firm as an audit manager and a company listed on the main board of the Stock Exchange as an internal audit manager. Prior to join to this Company, Ms. Sung was a finance manager of the China Mining Resources Group Limited (stock code: 340) which is a company incorporated in the Bermuda with limited liability which listed on the main board of the Stock Exchange. Ms. Sung is currently the chief financial officer of the Ming Kei and is also the company secretary and the chief financial officer of Colors Securities Limited and Colors Commodities Limited respectively.

Ms. Yick Mi Ching, Dawnibilly ("Ms. Yick"), aged 52, holds a Master of Business Administration and a Master of Management from Macquarie Graduate School of Management, Australia respectively and Honours Degree of Bachelor of Arts in Business Administration from the University of Portsmouth, United Kingdom. Ms. Yick has also completed a diploma in secretarial and administration from the City and Guilds of London Institute and an advanced diploma in secretarial and administrative studies from the Hong Kong Management Association. Ms. Yick has over 17 years of experience in the field of administration. Ms. Yick has over the past years adopted a proactive management approach and delivered an outstanding performance in various areas, specifically in the areas of corporate management and providing secretarial support to the senior executives. Ms. Yick is also the executive director of the Ming Kei.

Independent Non-Executive Directors

Mr. Kwok Kam Tim ("Mr. Kwok") aged 36, was appointed as independent non-executive director of the Company on 15 May 2012. Mr. Kwok is the CPA of the HKICPA and a member of the ACCA. Mr. Kwok holds a bachelor degree of engineering in electronics engineering from the Hong Kong University of Science and Technology and bachelor degree of arts in accountancy from the Hong Kong Polytechnic University. Mr. Kwok has over 10 years of experience in accounting and financial managements and previously worked in an international CPA firm. Mr. Kwok is currently a financial controller, company secretary and authorized representative of the Loudong General Nice Resources (China) Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 988). He is also an independent non-executive director of the Ming Kei.

Directors and Senior Management

Independent Non-Executive Directors *(Continued)*

Mr. Kinley Lincoln James Lloyd ("Mr. Kinley") aged 34, was appointed as independent non-executive director of the Company on 15 May 2012. Mr. Kinley is a solicitor of the High Court of Hong Kong, a barrister and solicitor of the High Court of Australia, a solicitor of the Supreme Court of New South Wales, Australia and a barrister and solicitor of the Supreme Court of Western Australia. Mr. Kinley holds a graduate certificate in legal practice and a bachelor degree in law from the University of Technology, Sydney, Australia. Mr. Kinley has over 9 years legal experience in both Australia and Hong Kong respectively and his practice has been focused on the areas of employment law and general commercial litigation. Mr. Kinley is currently a solicitor in a Hong Kong law firm and he is also an independent non-executive director of the Ming Kei.

Dr. Hui Chik Kwan ("Dr. Hui"), aged 38, was appointed as independent non-executive director of the Company on 15 May 2012. Dr. Hui holds a bachelor degree of medicine and a bachelor degree of surgery from the University of Hong Kong, a postgraduate diploma in practical dermatology from the University of Wales, College of Medicine, United Kingdom. Dr. Hui has completed a certificate of specialist registration under the specialty of family medicine of the Medical Council of Hong Kong. He is also a fellow of the Royal Australia College of General Practitioners, Australia and a fellow of the Hong Kong Academy of Medicine in the specialty of Family Medicine.

Dr. Hui has over 13 years of experiences in the field of family medicine and worked in the Queen Mary Hospital, Tuen Mun Hospital, United Christian Hospital, UMP Park Island Medical Center and Hong Kong Sanatorium & Hospital. Dr. Hui has received all round training in community based family medicine during his practicing in different public and private hospital and private clinic respectively. During the Severe Acute Respiratory Syndrome attack in 2002, Dr. Hui volunteered to work in the accident and emergency department of Queen Mary Hospital. Dr. Hui is now running his own private family medical clinic. Dr. Hui is the family doctor of Mr. Wong.

Joint Secretaries of the Company

Mr. Tsang was appointed as joint company secretary of the Company on 24 April 2012, detail information of Mr. Tsang can be found under the section "Executive Directors".

Mr. Chan Shiu Yuen Sammy appointed as joint company secretary and authorized representative of the Company on 17 December 2010, detail information of Mr. Chan can be found under the section "Senior Management".

Directors and Senior Management

Senior Management

Mr. Chan Shiu Yuen Sammy, aged 48, has joined our Group since December 2009 and is the chief financial officer and company secretary of our Company. Mr. Chan graduated from Dalhousie University, Canada with a Bachelor of Commerce degree in May 1992 and is a fellow member of the ACCA and an associate member of HKICPA. Mr. Chan has over 17 years of experience in auditing, accounting, taxation, business consultancy and financial management. Mr. Chan worked with Deloitte from November 1993 to September 2001. Mr. Chan was the company secretary and qualified accountant during the period between May 2005 and May 2007 and has since December 2009 become an independent non-executive director of Powerleader Science & Technology Group Limited (stock code: 8236), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. During the period from July 2007 to February 2009, Mr. Chan worked as the deputy general manager of China Fibretech Limited (company registration no: 40381), a company listed on the main board of the Singapore Stock Exchange Limited. In addition, Mr. Chan is a shareholder and director of Brilliant Consultancy Limited (卓見商業顧問有限公司) which is owned as to 50% by Mr. Chan since 3 January 2002.

Mr. Liang Han Zhao, aged 40, has joined our Group since April 2003 and is the production manager of our Company responsible for overseeing the production process of our Group. Mr. Liang obtained a diploma in foreign trade and economics (對外經濟貿易專業) from Wuxi Institute of Light Industry* (江蘇省無錫輕工業學院) (now known as Jiangnan University (江南大學)) in Jiangsu Province, the PRC in 1994 and a graduation certificate in administration management (行政管理專業畢業證書(專科)) upon completing the distance learning courses offered by China Central Radio and TV University (中央廣播電視大學) in 2008. Mr. Liang has approximately eight years of experience in managing production work.

Ms. Li Wei Zhen, aged 46, has joined our Group since November 2001 and is the administration and human resources manager of our Company responsible for overseeing the administration and human resources departments of our Group. Ms. Li obtained a graduation certificate in finance and accounting (財務會計專業) from Guangdong Province Adult Secondary School of Accounting* (廣東省會計函授成人中等專業學校) in 1999. Ms. Li has about nine years of experience in human resources and administrative work.

Mr. Li Zhi Yong, aged 33, has joined our Group since October 2001 and is the customs declaration and logistic manager of our Company responsible for managing the export and import declarations of our products and overseeing our overall logistic operations. Mr. Li received qualification of tertiary vocational training in applied computer science (計算機及應用) from the part-time division of Foshan University* (佛山科學技術學院) in July 2002 and obtained the qualification of a customs declaration officer (報關員) in September 2000. From September 2000 to September 2001, Mr. Li worked at Huizhou Maiketemagi Motorcycles Co., Ltd* (麥科特瑪琪摩托車有限公司) where he was responsible for marketing and promotion of products.

Mr. Woo Man Wai, David, aged 44, holds a bachelor's degree of arts (Honours) in the international business from the City University of Hong Kong. Mr. Woo has over 21 years' experience in several industries in the PRC such as information technology, trading of industrial goods, natural resources and banking sectors who has established a sounds relationship.

Mr. Woo has also taken up the management role for the group's MTBE's segments and taken up the management role as an executive director of a number of subsidiaries of the Company in relation to the Group's MTBE and also taken up the management role as an executive director of a number of subsidiaries of the Ming Kei in relation to the group's coal's trading segments. Prior to joining the Company, Mr. Woo was the senior manager in an international CPA firm which based in Beijing, the PRC.

Corporate Governance Report

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise having a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

This Corporate Governance Report ("Report") describes the Company's corporate governance practices with specific reference to the code provisions set out in the Code on Corporate Governance Practices ("The CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as it then was prior to the implementation of the revised code provisions effective from 1 April 2012. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining and improving high standards of corporate governance practice. During the financial year ended 31 March 2012, the Company complied with the provisions of the CG Code as set out in Appendix 14 of the Listing Rules as its own code of corporate governance, except for the deviations set out in this Report and where there are deviations from the CG Code, details of such deviations (including considered reasons for such deviations) are set out in this Report.

Code provision A.4.1 of the CG Code

The code provision A.4.1 requires the appointment of non-executive directors for a specific term, subject to re-election.

The three independent non-executive Directors of the Company (namely Mr. Kwok Kam Tim, Mr. Kinley Lincoln James Lloyd and Dr. Hui Chik Kwan) are not appointed for a fixed term of office, but they are subjected to retirement by rotation and re-election of Directors in the articles of association of the Company, which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting.

Code provision A.6.6 of the CG Code (the "Current A.6.6")

The Current A.6.6 which came in force on 1 April 2012 stipulates, among others, that each director should disclose to the issuer the time involved in offices held in other public companies or organisations and other significant commitments.

The code provision A.5.6 under the previous CG Code applied before 1 April 2012, (the "Previous Provision") also had similar requirements.

During the year ended 31 March 2012, since the majority of the Company's businesses and operational matters had been sufficiently attended to by Mr. Chum Tung Hang, Mr. Chum Hon Sing and Ms. Lei Sao Cheung (the executive directors who worked full time for the Company), the Company had not obtained from any of the directors any record of time spent in the Company and other public companies, organisations and other significant commitments by the directors. This constitutes as a deviation of the Current A.6.6 and the Previous Provision. However, each director had performed and discharged his/her duty as director of the Company when required.

As a action plan to address the aforesaid deviation, the Company will require all directors to disclose their time spent for all directorships and offices held with the Company, other public companies or organisations and other significant commitments on a quarterly basis in order to comply with the Current A.6.6.

Code provision E.1.2 of the CG Code

The code provision E.1.2 currently in force stipulates, among others, that the Chairman of the issuer should attend the annual general meeting.

It is expected that Mr. Chum Hon Sing, being the Chairman of the Company, would not be able to attend the Annual General Meeting ("AGM") of the Company to be held on 28 August 2012 due to other commitment and Mr. Chum Hon Sing has appointed Ms. Yick Mi Ching Dawnibilly to act as his representative at the AGM and to take the chair of the said AGM and to ensure that proceedings of the meeting are to be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code. This constitutes a deviation of the code provision E.1.2.

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding directors' securities transactions adopted by the Company.

Board

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and financial performances. The principal role of the Board is to set the parameters within the which the executives conduct the business and to monitor the performance of the executives who are delegated with the responsibility of managing the Group's operations. The management is delegated the authority and responsibility by the Board for the management and daily operations of the Group under the leadership of the Chairman. In addition, the Board had also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "Committees"), which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer ("CEO"), and the senior management of the Company, with department heads responsible for different aspects of the business.

The Board empowers the senior management team to implement the decisions of the Board and all senior management team members are appointed by the Board. The CEO is responsible for operational management and reports to the Board. In entrusting management and administrative functions to the management team, the Board provides clear instructions regarding the powers delegated to management, and requires the prior approvals of the Board before reporting or making key decisions and commitments on behalf of the Company.

Major corporate matters that are specifically delegated by the Board to the senior management include preparation of interim and annual reports and announcements, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant laws, rules and regulations.

Corporate Governance Report

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

As at 31 March 2012 the Board comprises five executive Directors namely Mr. Chum Tung Hang, Ms. Lei Sao Cheng, Mr. Wong Wai Sing, Mr. Lee Chi Shing, Caesar and Mr. Chum Hon Sing and three independent non-executive Directors, namely Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung.

From 31 March 2012 and up to the date of this report, Mr. Tsang Ho Ka, Eugene, Ms. Sung Ting Yee and Ms. Yick Mi Ching, Dawnibilly were appointed as executive Directors of the Company with effective from 24 April 2012, 24 April 2012 and 1 June 2012 respectively. Also, Mr. Kwok Kam Tim, Mr. Kinley Lincoln James Lloyd and Dr. Hui Chik Kwan were appointed as independent non-executive Directors of the Company effective from 24 April 2012.

On 15 May 2012, Mr. Chum Tung Hang and Ms. Lei Sao Cheng resigned as executive Director of the company and on the same date, Mr. Chan Bing Chung, Mr. Chow Tsu-Yin and Mr. Lee Thomas Tuan-Tong resigned as independent non-executive Director of the Company.

Mr. Chum Tung Hang is the husband of Ms. Lei Sao Cheng and the father of Mr. Chum Hon Sing. Mr. Chum Hon Sing and Mr. Wong Wai Sing are the shareholders of Twin Star Global Limited, each holding 50% of the issued share capital therein. Twin Star Global Limited was interested in 410,021,590 shares of the Company as at 17 May 2012. Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executives directors representing at least one-third of the Board and with at least one independent non-executive director possessing appropriate professional qualification, or accounting or related financial management expertise throughout 31 March 2012.

Chairman and Chief Executive Officer

As at 31 March 2012, Mr. Chum Tung Hang is the chairman of the Board and an executive Director, and Mr. Chum Hon Sing is the CEO of the Company and an executive Director.

On 15 May 2012, Mr. Chum Tung Hang resigned as the Chairman and executive Director of the Company and Mr. Chum Hon Sing was appointed as the Chairman of the Company and Mr. Wong Wai Sing was appointed as the CEO of the Company on the same date.

Chairman and Chief Executive Officer *(Continued)*

The role of the chairman is segregated from that of the CEO of the Company. The chairman is responsible for managing the Board, steering the Board to formulate overall strategies and business development plans, ensuring the receipt of sufficient, complete and reliable information by each Director and the receipt of reasonable explanations for the issues raised in Board meetings, the CEO is responsible for managing the business of the Company and implementing policies, business objectives and plans formulated by the Board, and is accountable to the Board for the Company's overall operation. The senior management team is responsible for the day-to-day operations of the Group under the leadership of the CEO of the Company.

Non-Executive Directors

As at 31 March 2012, the independent non-executive Directors, namely Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung have been appointed for a term of three years commencing from 17 December 2010.

From to 31 March 2012 and up to the date of this report, Mr. Kwok Kam Tim, Mr. Kinley Lincoln James Lloyd and Dr. Hui Chik Kwan was appointed as independent non-executive Director of the Company effective from 24 April 2012, and Mr. Chan Bing Chung, Mr. Chow Tsu-Yin and Mr. Lee Thomas Tuan-Tong was resigned as independent non-executive Director of the Company effective from 15 May 2012.

Appointment, Re-Election and Removal

The Company's articles of association set out a formal procedure for the appointment of new Directors to the Board. Any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall retire and be eligible for reappointment at the next general meeting after appointment. At every annual general meeting, one-third of the Directors shall be subject to retirement by rotation and re-election by the shareholders of the Company.

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cashflows for that period. In preparing the financial statements for the year ended 31 March 2012, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors also warrant that the Group's financial statements will be published in a timely manner.

The reporting responsibility of the external auditors of the Company on the financial statements of the Company for the year are set out in the Independent Auditor's Report on pages 35 to 36 of this annual report.

Board Meeting

The Board is expected to meet regularly at least four times a year. Between scheduled meetings, the senior management of the Group provides information to Directors on a regular basis regarding the activities and development in the businesses of the Group. The Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

The Board held nineteen meetings during the year ended 31 March 2012 with the attendance of each Director as follows:

Directors	**Attend/ Eligible to attend**
Executive Directors:	
Mr. Chum Tung Hang *(Chairman)*	19/19
Mr. Chum Hon Sing *(CEO)*	19/19
Ms. Lei Sao Cheng	19/19
Mr. Wong Wai Sing	14/14
Mr. Lee Chi Shing Caesar	14/14
Mr. Tsang Ho Ka, Eugene	0/0
Ms. Sung Ting Yee	0/0
Ms. Yick Mi Ching, Dawnibilly	0/0
Independent Non-Executive Directors:	
Mr. Lee Thomas Tuan-Tong	19/19
Mr. Chow Tsu-Yin	19/19
Mr. Chan Bing Chung	19/19
Mr. Kwok Kam Tim	0/0
Mr. Kinley Lincoln James Lloyd	0/0
Dr. Hui Chik Kwan	0/0

With respect to regular meeting of the Board, the Directors will be given written notice of the meeting at least 14 days in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the articles of association of the Company, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration, will abstain from voting on the relevant resolution and such Director is not counted as quorum.

Board Committees

The Board established the Committees on 17 December 2010 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference. The independent views and recommendations of the Committees ensure proper control of the Group and the continual achievement of high corporate governance standards expected of a listed company. The chairman of each committee reports the outcome of the Committees' meetings to the Board for further discussions and approvals.

Board Committees *(Continued)*

Audit Committee

As at 31 March 2012, the Audit Committee comprises three independent non-executive Directors, Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung. The Audit Committee was chaired by Mr. Chan Bing Chung, who possesses the appropriate professional qualification and extensive experience in, and knowledge of, finance and accounting as required under Rule 3.10 of the Listing Rules.

On 15 May 2012, Mr. Chan Bing Chung (Chairman). Mr. Chow Tsu-Yin and Mr. Lee Thomas Tuan-Tong resigned as member of the Audit Committee and Mr. Kwok Kam Tim (Chairman). Mr. Kinley Lincoln James Lloyd and Dr. Hui Chik Kwan was appointed as the member of the Audit Committee on the same date.

The Board has established the Audit committee with specific written terms of reference setting out the duties, responsibilities and authorities delegated by the Board. The major duties and responsibilities of the Audit Committee include (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, and addressing any questions of resignation or dismissal of such auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and developing and implementing policies in the engagement of the external auditors to supply non-audit services; (ii) monitoring the integrity of financial statements and reports of the Group and reviewing significant financial reporting judgements contained therein; and (iii) reviewing the effectiveness of the financial reporting and internal control systems of the Group.

The Audit Committee held two meeting during the year ended 31 March 2012 with attendance of each member as follows:

Name of audit committee members	Attend/ Eligible to attend
Mr. Lee Thomas Tuan-Tong	2/2
Mr. Chow Tsu-Yin	2/2
Mr. Chan Bing Chung	2/2
Mr. Kwok Kam Tim	0/0
Mr. Kinley Lincoln James Lloyd	0/0
Dr. Hui Chik Kwan	0/0

During the year ended 31 March 2012, the Audit Committee had (i) discussed with the external auditors and the management on the audit plan and the impact on the Group in respect of the amendments to the accounting principles and standards and the development of corporate governances; (ii) reviewed the remuneration and terms of engagement of the external auditors, and recommended the Board on the appointment of the external auditors; (iii) reviewed the effectiveness of the audit process and met with the external auditors for reviewing the Company's interim results for the six months ended 30 September 2011 and the financial and accounting policies, practices and disclosure requirements; and (iv) made recommendations to the Board that Deloitte Touche Tohmatsu be re-appointed as the Group's external auditors at the forthcoming annual general meeting.

Board Committees *(Continued)*

Remuneration Committee

As at 31 March 2012, the Remuneration Committee comprises three independent non-executive Directors, Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung and one executive Director, Mr. Chum Tung Hang. The Remuneration Committee is chaired by Mr. Chow Tsu-Yin.

On 15 May 2012, Mr. Chow Tsu-Yin (Chairman), Mr. Lee Thomas Tuan-Tong, Mr. Chum Tung Hang and Mr. Chan Bing Chung resigned as member of the remuneration Committee and Mr. Kwok Kam Tim (Chairman). Mr. Kinley Lincoln James Lloyd and Dr. Hui Chik Kwan was appointed as the member of the Remuneration Committee on the same date.

The Remuneration Committee is responsible for, among other functions, making recommendations to the Board on the policies and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; determining the specific remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The remuneration committee met one time during the year ended 31 March 2012, in which the member of the remuneration committee reviewed the existing remuneration policy and structure of the Company and the remuneration packages and discretionary bonus of the Directors and senior management for the year ended 31 March 2012 for the Board's approval. The attendance record of the remuneration committee is set out below:

Directors	Attend/ Eligible to attend
Mr. Lee Thomas Tuan-Tong	1/1
Mr. Chow Tsu Yin	1/1
Mr. Chan Bing Chung	1/1
Mr. Chum Tung Hang	1/1
Mr. Kwok Kam Tim	0/0
Mr. Kinley Lincoln James Lloyd	0/0
Dr. Hui Chik Kwan	0/0

Board Committees *(Continued)*

Nomination Committee

As at 31 March 2012, the Nomination Committee comprises three independent non-executive Directors, Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung. The Nomination Committee is chaired by Mr. Lee Thomas Tuan-Tong.

On 15 May 2012, Mr. Lee Thomas Tuan-Tong(Chairman), Mr. Chow Tsu-Yin and Mr. Chan Bing Chung resigned as member of the Nomination Committee and Mr. Kwok Kam Tim (Chairman), Mr. Kinley Lincoln James Lloyd and Dr. Hui Chik Kwan was appointed as the member of the Nomination Committee on the same date.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; identifying individuals qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, in particular candidates who can add value to the management through their contributions in strategic business areas and whose appointment will lead to a strong Board, assessing the independence of the independent non-executives Directors, and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of the Directors and succession planning for the Directors in particular for the chairman and CEO.

The nomination committee met one time during the year ended 31 March 2012, in which the members of the nomination committee discussed and made recommendation of the Board on the re-election of retiring Directors, and reviewed the annual confirmation of independence of the independent non-executive Directors, pursuant to Rule 3.13. of the Listing Rules. The attendance record of the nomination committee is set out below:

Directors	Attend/ Eligible to attend
Mr. Lee Thomas Tuan-Tong	1/1
Mr. Chow Tsu-Yin	1/1
Mr. Chan Bing Chung	1/1
Mr. Kwok Kam Tim	0/0
Mr. Kinley Lincoln James Lloyd	0/0
Dr. Hui Chik Kwan	0/0

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding securities transactions by directors. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code for the year ended 31 March 2012.

Corporate Governance Report

Responsibilities in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2012.

The senior management of the Company has provided such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, price-sensitive announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements and the accounts.

Auditors' Remuneration

During the year, the remuneration paid/payable to the external auditors of the Company in respect of statutory audit service was HK$2.0 million.

Internal Control

The Board is responsible for internal control of the Group and for reviewing its effectiveness. The Board requires the senior management to establish and maintain sound and effective internal controls.

The internal control framework includes central direction, resources allocation and risk management of the activities of various functional departments. As such, the Group has a clear organisational structure including appropriate segregation of duties and reporting systems. Limits of authorities have been established. Starting from the top, there is a list of matters reserved for Board approval. In carrying out key functions, senior management personnel are assigned levels of authority and accountability commensurate with their positions and duties. There are also relevant policies and procedures applicable to all functional departments to guide their operations.

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Group conducts its affairs with close attention to the "Guide on Disclosure of Price-Sensitive Information" issued by the Stock Exchange, and has also implemented guidelines and procedures for dealings in its securities by the Directors.

During the financial year, the Board had conducted a review on the effectiveness of the internal control system of the Company, and considered the internal control system to be effective and adequate and concluded that there were no significant areas of concern which might affect shareholders' interests.

Joint Company Secretaries

Up to the date of this report, the joint company secretaries of the Company is Mr. Chan Shiu Yuen Sammy ("Mr. Chan") and Mr. Tsang Ho Ka, Eugene ("Mr. Tsang") and a written confirmation had been received by the Company from Mr. Chan and Mr. Tsang respectively to confirm each took not less than 15 hours of relevant professional training during the current year ended under reviewed and up to the date of this report. The Company is on the view that Mr. Chan and Mr. Tsang comply with the Listing Rule of 3.29.

Communications with Shareholders

The Group reports to its shareholders twice a year. Interim and annual results are announced as early as possible to keep shareholders informed of the Group's performance. The general meetings of the Company provide a forum for communication between the shareholders and the Board. All shareholders are encouraged to attend the annual general meetings to discuss the progress of the Group's business. The chairman of each of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee, or in their absence, other members of the respective Committees are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. The Company's website, which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group, enables the shareholders to access information on the Group on a timely basis.

The Company is liable to secure shareholders' interests. The Company maintains contact with its shareholders through annual general meeting and other general meetings, and encourages shareholders to attend those meetings.

Notice of general meeting is sent by mail to the registered shareholders of the Company. Agenda, resolutions proposed and voting form are set out in the notice of general meeting.

Shareholders or investors can contact the Company at the registered address of the Company to make enquiry or to provide suggestions.

Investor Relations

The Company's website (www.newtreegroupholdings.com) offer communication channel between the Company and the Company's shareholders and potential investor. Apart from disclosure of all necessary information to the shareholders in compliance with the Listing Rules of the Stock Exchange, news update of the Company's business development and operation are available on the Company's website.

Report of the Directors

The Directors are pleased to present the first annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2012.

Corporate Information and Group Reorganisation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 9 June 2010.

Pursuant to a group reorganisation carried out for the listing of the Company's share on the Stock Exchange (the "**Group Reorganisation**") which rationalised the group structure in preparation for the Listing, the Company became the holding company of the Group on 24 December 2010.

Details of the Group Reorganisation are set out in the paragraph headed "Reorganisation" on page 110 to 113 of section headed "History, Reorganisation and Group structure" in the prospectus of the Company dated 31 December 2010.

Principal Activities

The principal activities of the Group are engaged in manufacture and trading of hygienic disposables for household and clinical uses ("Hygienic Disposables Business") in the People's Republic of China ("PRC") and Macau, agent of Methyl Tertiary Butyl Ether ("MTBE") products ("MTBE Business") in Hong Kong ("HK") and wholesale and retail of household consumables ("Household Consumables Business") in United Kingdom ("UK"). Details of the principal activities of the Company's principal subsidiaries are set out in note 34 of the consolidated financial statements contained herein.

Results and Dividends

The Group's loss for the year ended 31 March 2012 and its state of affairs as at 31 March 2012 are set out in the consolidated financial statements on pages 37.

No dividend was proposed during the year ended 31 March 2012, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 March 2011, the directors proposed dividend of HK$0.03 per share amounting to approximately HK$20,000,000 in aggregate. The dividend was paid during the year ended 31 March 2012.

In addition, the dividend recognised as distribution of HK$140,000,000 during the year ended 31 March 2011 represented dividend declared by Two-Two-Free on 30 June 2010 prior to the completion of the group reorganisation carried out for the listing of the Company's share on the Stock Exchange (the "Group Reorganisation"). The shareholders are directors of Two-Two-Free and the dividend distribution was settled through the balances with the directors of Two-Two-Free.

Report of the Directors

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 88 of this annual report. This summary does not form part of the audited consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 of the consolidated financial statements contained herein.

Other Intangible Assets

Details of the movements in the other intangible assets of the Group during the year are set out in note 15 of the consolidated financial statements contained herein.

Share Capital

Details of the movements in the Company's share capital during the year are set out in note 23 of the consolidated financial statements.

Share Option Scheme

The Company's share option scheme was adopted pursuant to a resolution passed on 17 December 2010 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees, executive and officers (including executive and non-executive directors) of the Company and any of its subsidiaries and advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the Board may grant options to eligible employees, including the directors of the Company and any of its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, (i) the total number of shares to be issued under the options of the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue; and (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the Directors and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

During the period from 17 December 2010 to the date of this annual report, no options were granted under the Share Option Scheme.

Report of the Directors

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity contained herein.

Distributable Reserves

As at 31 March 2012, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands (the "**Companies Law**"), amounted to approximately HK$293,575,000 (as at 31 March 2011: HK$322,419,000). Under the Companies Law, the share premium account of the Company of approximately HK$288,369,000 as at 31 March 2012 (as at 31 March 2011: HK$288,369,000) is distributable to the shareholders of the Company subject to the provisions of its memorandum and articles of association and provided that immediately following the date on which the dividend, if any, is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

Directors

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

Executive Directors	
Mr. Chum Tung Hang	(resigned on 15 May 2012)
Ms. Lei Sao Cheng	(resigned on 15 May 2012)
Mr. Chum Hon Sing	
Mr. Wong Wai Sing	(appointed on 4 October 2011)
Mr. Lee Chi Shing, Caesar	(appointed on 4 October 2011)
Mr. Tsang Ho Ka, Eugene	(appointed on 24 April 2012)
Ms. Sung Ting Yee	(appointed on 24 April 2012)
Ms. Yick Mi Ching, Dawnibilly	(appointed on 1 June 2012)
Independent Non-executive Directors	
Mr. Lee Thomas Tuan-Tong	(resigned on 15 May 2012)
Mr. Chow Tsu-Yin	(resigned on 15 May 2012)
Mr. Chan Bing Chung	(resigned on 15 May 2012)
Mr. Kwok Kam Tim	(appointed on 24 April 2012)
Mr. Kinley Lincoln James Lloyd	(appointed on 24 April 2012)
Dr. Hui Chik Kwan	(appointed on 24 April 2012)

In accordance with Article 84 of the Company's articles of association, one-third of the Directors will retire by rotation and be eligible to offer themselves for re-election at the 2012 Annual General Meeting ("2012 AGM").

The Company has received from each independent non-executive Director an annual confirmation of his independence from the Group, and as at the date of this annual report, still considers each of them to be independent pursuant to Rule 3.13 of the Listing Rules.

Report of the Directors

Biographies of the Directors and Senior Management

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 16 of this annual report.

Directors' Service Contracts

Mr. Chum Hon Sing, Mr. Chum Tung Hong and Ms. Lei Sao Cheng has entered into a service agreement with the Company for a term of three years commencing from 13 January 2011. There is no service contract entered into between the Company and any of Mr. Wong Wai Sing and Mr. Lee Chi Shing, Caeser and they have not been appointed to any specific term during the year.

During the year ended 31 March 2012, the independent non-executive Directors, namely Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung, have been appointed for a term of three years commencing from 17 December 2010.

No Director proposed for re-election at the 2012 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the Remuneration Committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors, remuneration is determined by the Board, upon recommendation from the Remuneration Committee. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 10 in the Notes to the Consolidated Financial Statements.

Directors' Interests in Contracts

No Director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances, Cap 571 of The Laws of Hong Kong ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Name of director	Nature of interest	Total number of shares held *(note)*	Approximate percentage of interest in the Company
Mr. Wong Wai Sing	Beneficial owner	409,999,590	61.5%
Mr. Chum Hon Sing	Beneficial owner	409,999,590	61.5%

Note: These 409,999,590 shares are held by Twin Star Global Limited, a company beneficially owned by Mr. Wong Wai Sing and Mr. Chum Hon Sing as to 50% and 50% respectively.

Director's Rights to Acquire Shares or Debenture

Save as disclosed in the section "Share Option Scheme", at no time during the year and up to the date of this annual report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or any of their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders

As at 31 March 2012, the following persons (not being a director or the chief executive of our Company) have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interest	Total number of shares held	Approximate percentage of interest in the Company
Twin Star Global Limited *(Note 1)*	Beneficial owner	409,999,590	61.5%
Speeder Link International Ltd *(Note 2)*	Security Interest	476,666,000	71.5%
Liu Fenzhen *(Note 3)*	Interest in Controlled Corporation	476,666,000	71.5%

Note:

1. This company was ultimately beneficially owned as to 50% by Mr. Wong Wai Sing and 50% by Mr. Chum Hon Sing.

2. A total of 476,666,000 shares (which beneficially owned by Twin Star Global Limited, Imperishable Land Limited, Smooth Auspicious International Limited and Wise Attempt Limited as to 409,999,590 shares, 19,999,918 shares, 26,666,574 shares and 19,999,918 shares respectively) are deemed to be interested by Speeder Link International Limited as person having a security interest in the shares.

3. Speeder Link International Limited is a company which is 100% controlled by Liu Fenzhen. By virtue of the SFO, Liu Fenzhen is deemed to be interested in all shares held by Speeder Link International Limited.

Save as disclosed herein, the Company has not been notified of any other person (other than the directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2012.

Related Parties Transactions

Details of related parties transactions of the Group for the year ended 31 March 2012 are set out in note 28 of the consolidated financial statements contained herein.

Report of the Directors

Connected Transactions

On 6 March 2012, Greenstar Enviro-Tech Investments Company Limited ("Greenstar") and Core Winner Holdings Limited ("Core Winner") entered into the investment agreement pursuant to which Greenstar and Core Winner agreed to invest in a Beijing company engaged in the sales of disposable products and component for minimally invasive interventional surgery devices with the trademark "Think!" registered in the PRC for use in medical devices and equipments through their interest in Think Medical Science (HK) Limited (" Think HK"). Greenstar and Core Winner are interested in Think HK as to 70% and 30% respectively. As Mr. Siu Mo Tung ("Mr. Siu") is a director of Think HK and beneficially owned the entire issued shares of Core Winner. Mr. Siu and Core Winner are each a connected person of the Company as defined under the Listing Rules.

Pursuant to the investment agreement, Greenstar and Core Winner agreed to invest in the Beijing company in proportion to their respective interests in Think HK and it is expected that the amount of the investment from Greenstar will be no more than HK$12 million. The completion of the acquisition agreement is conditional upon the obtaining of all the necessary approval from the relevant government authority in the PRC, and up to the date of this report, the transaction has not completed yet.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange during the year ended 31 March 2012.

Pre-Emptive Rights

There are no provisions of pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders unless otherwise required by the Stock Exchange.

Sufficiency of Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

Major Suppliers and Customers

In the year under review, the Group's largest supplier accounted for 16.7% (2011: 13.8%) of the Group's total purchases. The Group's five largest suppliers accounted for 55.4% (2011: 52.4%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 90.4% (2011: 91.6%) of the Group's total sales. The Group's largest customer accounted for 30.9% (2011: 34.2%) of the Group's total sales.

None of the Directors or any of their associates (as defined under the Listing Rules) or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or five largest suppliers.

Report of the Directors

Audit Committee and Review of Financial Statements

The Audit Committee was established on 17 December 2010 with written terms of reference in compliance with the Listing Rules. The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of auditors; monitoring integrity of the financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them as well as reviewing the financial controls, internal control and risk management systems.

The Audit Committee has reviewed with the management accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 March 2012.

Corporate Governance

The Company has published its corporate governance report, which is set out on pages 17 to 26 of this annual report.

Auditor

A resolution will be submitted at the 2012 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chun Hon Sing
Chairman

Hong Kong, 28 June 2012

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF NEWTREE GROUP HOLDINGS LIMITED
友川集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Newtree Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 87, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 June 2012

Consolidated Statement of Comprehensive Income

For the Year ended 31 March 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	5	**259,094**	426,272
Cost of sales		**(250,504)**	(315,341)
Gross profit		**8,590**	110,931
Other income	6	**2,636**	1,171
Other gains and losses	7	**(1,941)**	(2,317)
Selling and distribution expenses		**(9,281)**	(11,269)
Administrative expenses		**(33,033)**	(18,674)
Other expenses		**(3,963)**	–
Listing expenses		**–**	(23,110)
(Loss) profit before tax		**(36,992)**	56,732
Income tax credit (expense)	8	**1,887**	(1,807)
(Loss) profit for the year	9	**(35,105)**	54,925
Other comprehensive income			
Exchange difference arising on translation		**5,046**	2,254
Other comprehensive income for the year, net of income tax		**5,046**	2,254
Total comprehensive (expense) income for the year, net of income tax		**(30,059)**	57,179
(Loss) profit for the year attributable to:			
Owners of the Company		**(33,541)**	54,925
Non-controlling interests		**(1,564)**	–
		(35,105)	54,925
Total comprehensive (expense) income for the year, attributable to:			
Owners of the Company		**(28,495)**	57,179
Non-controlling interests		**(1,564)**	–
		(30,059)	57,179
(Loss) earnings per share	12		
– basic (HK cents)		**(5.03)**	10.16

Consolidated Statement of Financial Position

At 31 March 2012

	NOTES	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**28,243**	35,312
Prepaid lease payments	14	**6,510**	6,478
Other intangible assets	15	**23,197**	–
Goodwill	16	**9,774**	–
		67,724	41,790
CURRENT ASSETS			
Inventories	18	**69,608**	71,357
Prepaid lease payments	14	**211**	205
Trade and other receivables and prepayments	19	**100,193**	76,747
Pledged bank deposit	20	**62,286**	59,500
Bank balances and cash	20	**128,943**	215,488
		361,241	423,297
CURRENT LIABILITIES			
Trade and other payables and accruals	21	**28,272**	24,478
Tax payable		**5,670**	2,838
		33,942	27,316
NET CURRENT ASSETS		**327,299**	395,981
TOTAL ASSETS LESS CURRENT LIABILITIES		**395,023**	437,771
NON CURRENT LIABILITIES			
Deferred tax liabilities	22	**4,432**	–
		390,591	437,771
CAPITAL AND RESERVES			
Share capital	23	**6,667**	6,667
Reserves		**382,609**	431,104
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**389,276**	437,771
Non-controlling interests		**1,315**	–
TOTAL EQUITY		**390,591**	437,771

The consolidated financial statements on pages 37 to 87 were approved and authorised for issue by the Board of Directors on 28 June 2012 and are signed on its behalf by:

Mr. Chum Hon Sing	**Mr. Wong Wai Sing**
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31 March 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Legal reserve HK$'000 (note i)	Special reserve HK$'000 (note ii)	Exchange reserve HK$'000	Other reserve HK$'000 (note iii)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	1,175	–	49	–	8,637	(6,000)	222,192	226,053	–	226,053
Profit for the year	–	–	–	–	–	–	54,925	54,925	–	54,925
Other comprehensive income	–	–	–	–	2,254	–	–	2,254	–	2,254
Total comprehensive income for the year	–	–	–	–	2,254	–	54,925	57,179	–	57,179
Effect from the Group Reorganisation	(775)	–	–	678	–	–	–	(97)	–	(97)
Issue of new shares	1,600	310,400	–	–	–	–	–	312,000	–	312,000
Transaction costs of attributable to issue of new shares	–	(17,364)	–	–	–	–	–	(17,364)	–	(17,364)
Issue of shares by capitalisation of share premium account	4,667	(4,667)	–	–	–	–	–	–	–	–
Dividend recognised as distribution	–	–	–	–	–	–	(140,000)	(140,000)	–	(140,000)
At 31 March 2011	6,667	288,369	49	678	10,891	(6,000)	137,117	437,771	–	437,771
Loss for the year	–	–	–	–	–	–	(33,541)	(33,541)	(1,564)	(35,105)
Other comprehensive income	–	–	–	–	5,046	–	–	5,046	–	5,046
Total comprehensive income (expense) for the year	–	–	–	–	5,046	–	(33,541)	(28,495)	(1,564)	(30,059)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	2,879	2,879
Dividend recognised as distribution	–	–	–	–	–	–	(20,000)	(20,000)	–	(20,000)
At 31 March 2012	6,667	288,369	49	678	15,937	(6,000)	83,576	389,276	1,315	390,591

Notes:

(i) In accordance with the provisions of Macao Commercial Code, Two-Two-Free Limited-Macao Commercial Offshore ("Two-Two-Free"), a subsidiary of the Company, is required to transfer a minimum of 25% of annual net profit to legal reserve until the legal reserve equals half of the quota capital. This reserve is not distributable to shareholders.

(ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in preparing for listing on The Stock Exchange of Hong Kong Limited, details of which are set out in note 1.

(iii) The other reserve represents the difference between the fair value of interest-free advance to Mr. Chum Tung Hang, a shareholder of a subsidiary comprising the Group prior to the Group Reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception.

Consolidated Statement of Cash Flows

For the Year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(36,992)**	56,732
Adjustments for:		
Depreciation of property, plant and equipment	**10,861**	9,218
Amortisation of prepaid lease payments	**251**	201
Amortisation of other intangible assets	**20,142**	–
Impairment loss recognised on trade and other receivables	**3,653**	71
Interest income	**(1,829)**	(1,171)
Loss on disposal of property, plant and equipment	**11**	–
Operating cash flows before movements in working capital	**(3,903)**	65,051
Decrease (increase) in inventories	**10,088**	(27,584)
(Increase) decrease in trade and other receivables and prepayments	**(16,556)**	47,936
Decrease in trade and other payables and accruals	**(9,983)**	(30,487)
Cash (used in) generated from operating activities	**(20,354)**	54,916
Income tax paid	**–**	(308)
Income tax refund	**125**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(20,229)**	54,608
INVESTING ACTIVITIES		
Payment in acquisition of subsidiaries *(note 32)*	**(43,854)**	–
Purchase of property, plant and equipment	**(5,600)**	(614)
Purchase of prepaid lease payments	**(3,750)**	–
Increase in pledged bank deposit	**(2,786)**	(59,500)
Proceeds on disposal of prepaid lease payments	**3,708**	–
Proceeds on disposal of property, plant and equipment	**3,707**	–
Interest received	**1,829**	1,171
Advance to controlling shareholders	**–**	(24,439)
Repayment of amounts due from controlling shareholders	**–**	7
NET CASH USED IN INVESTING ACTIVITIES	**(46,746)**	(83,375)
FINANCING ACTIVITIES		
Dividend paid	**(20,000)**	–
Proceeds from issue of new shares	**–**	312,000
Advance from controlling shareholders	**–**	1,282
Repayment of amounts due to controlling shareholders	**–**	(61,339)
Expenses on issue of new shares	**–**	(17,364)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(20,000)**	234,579
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(86,975)**	205,812
CASH AND CASH EQUIVALENTS AT 1 APRIL	**215,488**	9,237
Effect of foreign exchange rate changes	**430**	439
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash	**128,943**	215,488

1. General Information and Basis of Preparation

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2011 ("Listing"). The address of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

Pursuant to a group reorganisation (the "Group Reorganisation") in preparation for the Listing, as more fully explained in the paragraph headed "Reorganisation" in the section headed "Corporate Reorganisation" in Appendix VI of the prospectus dated 31 December 2010 issued by the Company (the "Prospectus"), the Company became the holding company of Greenstar Enviro-Tech Investments Company Limited ("Greenstar Enviro-Tech") and its subsidiaries on 24 December 2010 upon completion of the Group Reorganisation.

The Group resulting from the Group Reorganisation is considered as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Group Reorganisation had been in existence throughout the year ended 31 March 2011 or since the respective dates of incorporation or establishment, whichever is the shorter period.

Prior to the Group Reorganisation, the controlling shareholders of the Group were Mr. Chum and Ms. Lei Sao Cheng ("Mrs. Chum"). As a result of the Group Reorganisation, Able Bright Limited became the immediate holding company of the Company and The Chum's Family Trust was the ultimate shareholder of the Company up to 8 March 2012.

After the sales and purchase of shares of the Company on 9 March 2012 (note 33), the immediate holding company of the Company became Twin Star Global Limited, a company incorporated in British Virgin Islands and is owned as to 50% by Mr. Chum Hon Sing and 50% by Mr. Wong Wai Sing.

The principal activities of the Group are engaged in manufacture and trading of hygienic disposables for household and clinical uses ("Hygienic Disposables Business") located in the Peoples' Republic of China (the "PRC") and Macau, agent of Methyl Tertiary Butyl Ether (MTBE) products located in Hong Kong ("HK") ("MTBE Business") and wholesale and retail of household consumables ("Household Consumables Business") located in United Kingdom.

The consolidated financial statements have been presented in Hong Kong dollars ("HKD"), while the functional currency of the Company is United State dollars ("USD"). The directors of the Company selected HKD as the presentation currency because the directors consider that presenting the consolidated financial statements in HKD is preferable when controlling and monitoring the performance and financial position of the Group.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[6]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2012.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards that are applicable to the Group are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards have no significant impact on amounts reported in the consolidated financial statements.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards).

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except the deferred tax assets or liabilities are recognised and measured in accordance with HKAS 12 Income Taxes.

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

3. Significant Accounting Policies *(Continued)*

Business Combinations *(Continued)*

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

3. Significant Accounting Policies *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. Significant Accounting Policies *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Agency fee income and other service income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant Accounting Policies *(Continued)*

Leasing

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3. Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

Retirement benefit costs

Payments to state-managed retirement benefit schemes, Mandatory Provident Fund Scheme and defined contribution retirement scheme in Macau are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities i.e. trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve or will be transferred to retained profits.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Key Sources of Estimation Uncertainty

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

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

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

Useful lives of other intangible assets

As at 31 March 2012, the carrying amount of the Group's intangible assets excluding goodwill is approximately HK$23,197,000 (2011: nil). The estimated useful lives of the assets reflect the directors' estimate of the periods over which the other intangible assets are expected to generate net cash flows for the Group based on certain assumptions including attrition of customers base and possibility of renewal of sales contracts.

Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore amortisation expenses and impairment losses in the future years. Details of the other intangible assets are set out in note 15.

Estimated impairment of goodwill

Determine whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill is HK$9,774,000 as at 31 March 2012 and the details of the impairment test are set out in note 17.

Estimated write-down for inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and determine the amount of written down on obsolete and slow moving items inventories to their net realisable values. Where the expectation on the net realisable value is lower than the carrying amount, further write-down may arise. The carrying amount of inventories as at 31 March 2012 is HK$69,608,000 (2011: HK$71,357,000).

4. Key Sources of Estimation Uncertainty *(Continued)*

Estimated impairment of trade receivables and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 March 2012, the carrying amounts of trade receivables are approximately HK$52,008,000 (2011: HK$52,545,000) net of impairment loss recognised of HK$3,653,000 (2011: nil) and other receivables are approximately HK$5,016,000 (2011: HK$5,186,000).

5. Revenue and Segment Information

Information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

In previous year, the Group reported its segment information based on two major operating divisions reviewed by the board of directors – (1) household application products and (2) clinical application products. During the current year, the Group acquired two new subsidiaries which represented two new segments, MTBE business and household consumables business. In addition, since the household application products business and clinical application products business are now managed and assessed as a whole by the CODM, the household application products segment and clinical application products segment have now been combined into one single operating and reportable segment, namely the hygienic disposables business segment, for internal reporting purpose. For determination of segment result of such segment, directors' remuneration is now excluded from, and selling expenses, administrative expenses, depreciation of property, plant and equipment and amortisation of prepaid lease payment of hygienic disposables business are now included in segment result of hygienic disposables business for internal reporting purpose. Also, the segment assets and segment liabilities of hygienic disposable business now included the property, plant and equipment, prepaid lease payment, inventories, other assets and liabilities attributable to such segment. Accordingly, comparative figures for segment reporting have been restated. The performance of the three segments is regularly reviewed by the board of directors for the purpose of resources allocation and performance assessment. Therefore, the Group's operating and reportable segments under HKFRS 8 are as follows:

- Hygienic Disposables Business – Trading and manufacturing of the clinical and household hygienic disposables
- MTBE Business – Agent service of MTBE products
- Household Consumables Business – Trading of household consumables

5. Revenue and Segment Information *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results from reportable and operating segments.

	Hygienic Disposables Business HK$'000	MTBE Business HK$'000	Household Consumables Business HK$'000	Total HK$'000
For the year ended 31 March 2012				
Revenue from external customers	**245,027**	**807**	**13,260**	**259,094**
Segment (loss) profit	**(6,337)**	**1,244**	**432**	**(4,661)**
Bank interest income				**1,829**
Other gains and losses				**1,723**
Amortisation of intangible assets				**(20,142)**
Central administration costs				**(15,741)**
Loss before tax				**(36,992)**

	Hygienic Disposables Business HK$'000 (Restated)
For the year ended 31 March 2011	
Revenue from external customers	426,272
Segment profit	85,884
Bank interest income	1,171
Other gains and losses	(2,246)
Listing expenses	(23,110)
Central administration costs	(4,967)
Profit before tax	56,732

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, amortisation of intangible assets, listing expenses, bank interest income, other gains and losses and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

5. Revenue and Segment Information *(Continued)*

Segment assets and liabilities

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

Segment assets

	31 March 2012 HK$'000	31 March 2011 HK$'000 (Restated)
Hygienic Disposables Business	136,499	190,099
MTBE Business	48,496	–
Household Consumables Business	19,770	–
Total segment assets	204,765	190,099
Goodwill	9,774	–
Other intangible assets	23,197	–
Pledged bank deposit	62,286	59,500
Bank balances and cash	128,943	215,488
Consolidated assets	428,965	465,087

Segment liabilities

	31 March 2012 HK$'000	31 March 2011 HK$'000 (Restated)
Hygienic Disposables Business	18,435	24,478
MTBE Business	2,620	–
Household Consumables Business	7,217	–
Total segment liabilities	28,272	24,478
Tax payable	5,670	2,838
Deferred tax liabilities	4,432	–
Consolidated liabilities	38,374	27,316

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than goodwill, other intangible assets, pledged bank deposit and bank balances and cash.

- All liabilities are allocated to operating segments other than tax payable and deferred tax liabilities.

5. Revenue and Segment Information *(Continued)*

Other segment information

	Hygienic Disposables Business HK$'000	MTBE Business HK$'000	Household Consumables Business HK$'000	Total HK$'000
For the year ended 31 March 2012				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital additions	9,272	–	748	10,020
Depreciation of property, plant and equipment and amortisation of prepaid lease payment	11,089	–	23	11,112
Loss on disposals of property, plant and equipment	11	–	–	11
Impairment loss on trade receivables	3,653	–	–	3,653

	Hygienic Disposables Business HK$'000
For the year ended 31 March 2011	
Amounts included in the measure of segment profit or loss or segment assets:	
Capital additions	614
Depreciation of property, plant and equipment and amortisation of prepaid lease payment	9,419
Impairment loss on other receivables	71

5. Revenue and Segment Information *(Continued)*

Revenue from major products and services

The following is an analysis of this Group's revenue from its major products and services:

	2012 HK$'000	2011 HK$'000
Sales of goods from		
– Hygienic Disposables Business	**245,027**	426,272
– Household Consumables Business	**13,260**	–
Agency fee income from MTBE Business	**807**	–
	259,094	426,272

Information about geographical areas

In determining the Group's information about geographical areas, revenue are attributed to the segments based on the location of the customers.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods.

	2012 HK$'000	2011 HK$'000
United Kingdom	**151,778**	146,326
Norway	**79,998**	100,047
United States of America	**16,808**	167,374
Ireland	**4,287**	–
France	**3,381**	–
Sweden	**889**	1,805
PRC	**807**	–
Germany	**781**	3,918
Others	**365**	6,802
	259,094	426,272

At 31 March 2012, approximately HK$33,175,000, HK$20,399,000, HK$13,317,000 and HK$833,000 of the non-current assets are located in the PRC, United Kingdom, HK and Macau, respectively.

At 31 March 2011, approximately HK$41,271,000 and HK$519,000 of non-current assets are located in the PRC and Macau, respectively.

5. Revenue and Segment Information *(Continued)*

Information about major customers

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

	2012 HK$'000	2011 HK$'000
Customer A[1]	79,998	100,046
Customer B[1]	71,687	64,749
Customer C[1]	57,510	55,489
Customer D[1]	–	145,697

[1] Revenue from Hygienic Disposables Business

6. Other Income

	2012 HK$'000	2011 HK$'000
Bank interest income	1,829	1,171
Service income	807	–
	2,636	1,171

7. Other Gains and Losses

	2012 HK$'000	2011 HK$'000
Exchange gain (losses)	1,723	(2,374)
Loss on disposal of property, plant and equipment	(11)	–
Impairment loss recognised on trade and other receivables	(3,653)	(71)
Others	–	128
	(1,941)	(2,317)

8. Income Tax (Credit) Expense

	2012 HK$'000	2011 HK$'000
Current tax:		
Hong Kong Profits Tax	**204**	–
PRC Enterprise Income Tax ("PRC EIT")	**1,373**	1,807
	1,577	1,807
Overprovision in prior year:		
PRC EIT	**(125)**	–
Deferred taxation (note 22)	**(3,339)**	–
	(1,887)	1,807

(i) HK

HK Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

In March 2011, the Hong Kong Inland Revenue Department (the "HKIRD") issued to a wholly owned subsidiary incorporated in Macau a profits tax assessment of HK$5,600,000 relating to the year of assessment 2004/2005, that is, for the financial year ended 31 March 2005. The Group lodged an objection with the HKIRD against the assessment in June 2011.

In December 2011, the HKIRD issued to that wholly owned subsidiary a profits tax assessment of HK$5,250,000 relating to the year of assessment 2005/06, that is for the year ended 31 March 2006. The Group lodged an objection with the HKIRD against the assessment in January 2012.

The wholly owned subsidiary did not receive any further queries from the HKIRD apart from the aforesaid assessment up to the date these consolidated financial statements were authorised for issuance. In the opinion of the directors of the Company, no profits tax should be payable by the said subsidiary for those years of assessment since the subsidiary is incorporated in Macau and did not carry on any business in Hong Kong for the years of assessment 2004/05 and 2005/06 and should not be subject to Hong Kong Profits Tax. Hence, no provision for Hong Kong Profits Tax in respect of the assessments are considered necessary.

(ii) PRC EIT

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC entities is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Huizhou Junyang Plastic Co., Ltd. ("Huizhou Junyang") was entitled to exemption from the PRC EIT from its first two profit-making years of operation and thereafter, it is entitled to a 50% relief from the PRC EIT for the following three years. The first profit making year of Huizhou Junyang started from the fiscal year ended 31 December 2007. Accordingly, Huizhou Junyang was entitled to a relief from PRC EIT by 50% reduction from the fiscal year 2009 to 2011 with effective tax rate of 12.5%. Starting from fiscal year 2012, the PRC EIT rate is 25%.

8. Income Tax (Credit) Expense *(Continued)*

(iii) Macau

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

The income tax expense for the year can be reconciled to the (loss) profit before tax per the consolidated income statement as follows:

	2012 HK$'000	2011 HK$'000
(Loss) profit before tax	**(36,992)**	56,732
Tax at PRC EIT at 25%	**(9,248)**	14,183
Tax effect of expense not deductible for tax purpose	**5,194**	6,639
Tax effect of income not taxable for tax purpose	**(203)**	(188)
Tax effect of tax losses not recognised	**–**	2
Tax effect of PRC tax holidays/exemption granted to a group entity	**–**	(17,819)
Overprovision in respect of prior years	**(125)**	–
Utilisation of tax losses previously not recognised	**–**	(1,010)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,495**	–
Income tax (credit) expense for the year	**(1,887)**	1,807

Under the EIT Law in PRC, starting from 1 January 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident investors for the companies established in the PRC. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applicable. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiary for which deferred tax liability has not been recognised was HK$4,817,000 (2011: HK$9,420,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

There was no other significant unprovided deferred taxation for both years on or at the end of respective reporting period.

9. (Loss) Profit for the Year

	2012 HK$'000	2011 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	**2,000**	1,705
Directors' remuneration *(note 10)*	**4,620**	965
Other staff costs	**14,481**	9,489
Retirement benefit scheme contributions	**686**	552
Total staff costs	**19,787**	11,006
Cost of inventories	**230,362**	315,341
Depreciation of property, plant and equipment	**10,861**	9,218
Amortisation of intangible assets (included in cost of sales)	**20,142**	–
Amortisation of prepaid lease payments	**251**	201
Legal and professional fee for acquisition (included in other expenses)	**3,963**	–

10. Directors' and Employees' Emoluments

Directors

Details of the emoluments paid to the directors of the Group for the years are as follows:

Year ended 31 March 2012

	Fees HK$'000	Salaries and other allowances HK$'000	Total HK$'000
Executive directors:			
Mr. Chum Tung Hang[3]	–	1,200	1,200
Ms. Lei Sao Cheng[3]	–	1,200	1,200
Mr. Chum Hon Sing	–	1,200	1,200
Mr. Wong Wai Sing[1]	–	600	600
Mr. Lee Chi Shing, Caesar[1]	–	60	60
Mr. Tsang Ho Ka, Eugene[2]	–	–	–
Ms. Sung Ting Yee[2]	–	–	–
Ms. Yick Mi Ching, Dawnbilly[4]	–	–	–
Independent non-executive directors:			
Mr. Lee Thomas Tuan-Tong[3]	120	–	120
Mr. Chow-Tsu Yin[3]	120	–	120
Mr. Chan Bing Chung[3]	120	–	120
Mr. Kwok Kam Tim[2]	–	–	–
Mr. Kinley Lincoln James Lloyd[2]	–	–	–
Dr. Hui Chik Kwan[2]	–	–	–
	360	4,260	4,620

10. Directors' and Employees' Emoluments *(Continued)*

Directors *(Continued)*

Year ended 31 March 2011

	Fees HK$'000	Salaries and other allowances HK$'000	Total HK$'000
Executive directors:			
Mr. Chum Tung Hang	–	261	261
Ms. Lei Sao Cheng	–	261	261
Mr. Chum Hon Sing	–	365	365
Independent non-executive directors:			
Mr. Lee Thomas Tuan-Tong	26	–	26
Mr. Chow-Tsu Yin	26	–	26
Mr. Chan Bing Chung	26	–	26
	78	887	965

[1] Appointed on 4 October 2011
[2] Appointed on 24 April 2012
[3] Resigned on 15 May 2012
[4] Appointed on 1 June 2012

Employees

Of the five individuals with the highest emoluments in the Group, three (2011: three) were director of the Company. The emoluments of the remaining two (2011: two) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other allowances	**3,215**	615
Retirement benefit scheme contributions	**–**	1
	3,215	616

10. Directors' and Employees' Emoluments *(Continued)*

Employees *(Continued)*

The emolument of each of the above employees were within the following bands:

	2012 No. of employees	2011 No. of employees
HK$nil to HK$1,000,000	–	2
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	1	–
	2	2

During both years, the retirement benefit scheme contribution cost for each of the directors or the five highest paid individuals is less than HK$1,000. In addition, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

11. Dividends

No dividend was proposed during the year ended 31 March 2012, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 March 2011, the directors proposed dividend of HK$0.03 per share amounting to approximately HK$20,000,000 in aggregate. The dividend was paid during the year ended 31 March 2012.

In addition, the dividend recognised as distribution of HK$140,000,000 during the year ended 31 March 2011 represented dividend declared by Two-Two-Free on 30 June 2010 prior to the completion of the group reorganisation carried out for the listing of the Company's share on the Stock Exchange (the "Group Reorganisation"). The dividend distribution was settled through the balances with the controlling shareholders of Two-Two-Free.

12. (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share attributable to the owners of the Company for the years are based on the following data:

	2012 HK$'000	2011 HK$'000
(Loss) profit for the year attributable to owners of the Company	(33,541)	54,925
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	666,666,000	540,857,781

During the year ended 31 March 2011, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share assumed the capitalisation issue as disclosed in Appendix VI of the Prospectus and Group Reorganisation have been effective on 1 April 2010.

No diluted earnings per share is presented for both years as there were no potential ordinary shares in issue.

13. Property, Plant and Equipment

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture, fixtures, and equipment HK$'000	Total HK$'000
COST						
At 1 April 2010	32,637	38,062	1,393	2,405	1,625	76,122
Additions	–	509	–	–	105	614
Exchange realignment	1,369	1,615	48	102	58	3,192
At 31 March 2011	34,006	40,186	1,441	2,507	1,788	79,928
Acquisition of subsidiaries	–	232	148	271	19	670
Additions	3,750	348	405	1,030	67	5,600
Disposal	(3,750)	–	(230)	–	(15)	(3,995)
Exchange realignment	1,291	1,557	54	118	60	3,080
At 31 March 2012	35,297	42,323	1,818	3,926	1,919	85,283
DEPRECIATION						
At 1 April 2010	8,511	21,712	756	1,463	1,310	33,752
Provided for the year	5,208	3,498	199	244	69	9,218
Exchange realignment	490	1,010	28	68	50	1,646
At 31 March 2011	14,209	26,220	983	1,775	1,429	44,616
Provided for the year	6,429	3,737	199	431	65	10,861
Elimination on disposal	(32)	–	(230)	–	(15)	(277)
Exchange realignment	625	1,059	34	74	48	1,840
At 31 March 2012	21,231	31,016	986	2,280	1,527	57,040
CARRYING VALUES						
At 31 March 2012	14,066	11,307	832	1,646	392	28,243
At 31 March 2011	19,797	13,966	458	732	359	35,312

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

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Plant and machinery	10%
Motor vehicles	20%
Leasehold improvement	10% or over the term of the relevant lease, whichever is shorter
Furniture, fixtures and equipment	20%

At the end of the reporting period, the Group had not obtained the formal building ownership certificates for certain of properties included in buildings above (the "Temporary Structures"). The carrying value was approximately HK$948,000 as at 31 March 2012 (2011: HK$6,634,000).

13. Property, Plant and Equipment *(Continued)*

In the opinion of directors, the absence of formal title to these properties does not impair their values to the Group as the Group had obtained approvals from the relevant authorities for constructing and using such properties up to May 2012, after which, the Group has ceased to use the Temporary Structures. The depreciation charge of the Temporary Structures has been depreciated over the remaining useful lives to May 2012.

During the year, the directors of the Company conducted an impairment assessment of the Group's property, plant and equipment in Hygienic Disposables Business. The recoverable amount of the cash generating unit ("CGU") whereby these assets have been allocated to is determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 14%. The key assumptions for the value in use calculations relate to the estimate of cash inflow/outflow which include budgeted sales and gross margin, such estimation is based on the past performance of the Group. Since the recoverable amount exceeded the carrying amount of the CGU, no impairment is considered as considered necessary at 31 March 2012.

	2012 **HK$'000**	2011 HK$'000
The carrying value of properties shown above comprise:		
Situated on leasehold land under medium-term lease located in:		
– PRC	**13,745**	19,469
– Macau	**321**	328
	14,066	19,797

The Group has pledged buildings with carrying values of approximately HK$9,094,000 (31 March 2011: Nil) to secure general banking facilities granted to the Group.

14. Prepaid Lease Payments

	2012 **HK$'000**	2011 HK$'000
Prepaid lease payments comprise:		
Leasehold land under medium-term lease located in:		
– PRC	**6,594**	6,524
– Macau	**127**	159
	6,721	6,683
Analysed for reporting purposes as:		
Current assets	**211**	205
Non-current asset	**6,510**	6,478
	6,721	6,683

Prepaid lease payment is amortised over the term of the rights on a straight-line basis of 25 to 50 years for both years.

The Group has pledged prepaid lease payments on land use rights with carrying values of approximately HK$4,217,000 (31 March 2011: Nil) to secure general banking facilities granted to the Group.

15. Other Intangible Assets

	Sales contract HK$'000	Customer network HK$'000	Total HK$'000
COST			
At 1 April 2010 and 1 April 2011	–	–	–
Acquired on acquisition of subsidiaries *(note 32)*	33,292	9,765	43,057
Exchange realignment	–	283	283
At 31 March 2012	33,292	10,048	43,340
AMORTISATION			
At 1 April 2010 and 1 April 2011	–	–	–
Charge for the year	19,975	167	20,142
Exchange realignment	–	1	1
At 31 March 2012	19,975	168	20,143
CARRYING VALUES			
At 31 March 2012	13,317	9,880	23,197
At 31 March 2011	–	–	–

The sales contract represents a trading contract to supply a specified quantity of MTBE for a specified period to a customer of Sino-Singapore (Offshore) Chemical Resources Trading Company Limited acquired in a business combination during the year ended 31 March 2012. Details are set out in note 32.

The customer network represents long and close business relationship with customers of S&J Distribution Limited acquired in a business combination during the year ended 31 March 2012. Details are set out in note 32.

The above other intangible assets are amortised on a straight-line basis over the following period:

Sales contract	Over the remaining term of the sales contract
Customer network	10 years

16. Goodwill

	2012 HK$'000	2011 HK$'000
COST AND CARRYING VALUES		
At 1 April	**–**	–
Acquired on acquisition of subsidiaries *(note 32)*	**9,774**	–
At 31 March	**9,774**	–

Particulars regarding impairment testing on goodwill are set out in note 17.

17. Impairment Testing on Goodwill and Intangible Assets with Finite Useful Lives

For the purpose of impairment testing, goodwill and intangible assets with finite useful lives set out in notes 15 and 16 have been allocated to two individual CGU, comprising a subsidiary in Household Consumables Business and a subsidiary in MTBE Business. The carrying amount of goodwill and intangible assets as at 31 March 2012 allocated to these units are as follows:

	Goodwill		Customer network		Sales contract	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Household Consumables Business (Unit A)	**9,774**	–	**9,880**	–	**–**	–
MTBE Business (Unit B)	**–**	–	**–**	–	**13,317**	–
	9,774	–	**9,880**	–	**13,317**	–

During the year ended 31 March 2012, management of the Group determines that there are no impairments of any of its CGUs containing goodwill or intangible assets with finite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 17%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A exceed the aggregate recoverable amount of Unit A.

Unit B

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period, and discount rate of 14%, with zero growth rate for the remaining projected period. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit B to exceed the aggregate recoverable amount of the Unit B.

18. Inventories

	2012 HK$'000	2011 HK$'000
At cost:		
Raw materials	**44,037**	54,412
Work-in-progress	**5,248**	4,042
Finished goods	**20,323**	12,903
	69,608	71,357

19. Trade and Other Receivables and Prepayments

	2012 HK$'000	2011 HK$'000
Trade receivables	**55,661**	52,545
Less: impairment loss recognised	**(3,653)**	–
	52,008	52,545
Bills receivables	**19,385**	18,069
Prepayments and deposit paid to suppliers	**23,784**	947
Other receivables	**5,016**	5,186
	100,193	76,747

The Group generally allows a credit period of 30 to 90 days to its trade customers. The aged analysis of the Group's trade receivables (net of allowance for doubtful debts) and bills receivables based on the invoice date at the end of the reporting period is as follows:

	2012 HK$'000	2011 HK$'000
Trade and bills receivables:		
0 – 30 days	**50,592**	31,844
31 – 60 days	**18,133**	5,108
61 – 90 days	**1,560**	8,920
Over 90 days	**1,108**	24,742
	71,393	70,614

All bills receivables of the Group were aged within 90 days at the end of the reporting period.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on historical credit records of these customers.

19. Trade and Other Receivables and Prepayments *(Continued)*

Included in prepayments and deposit paid to suppliers is a deposit of approximately HK$21,450,000 (2011: nil) made to a supplier of MTBE Business which is refundable upon Group's request or in the event the supplier arrangement is terminated. Such amount is guaranteed by a customer of MTBE Business, which is a state-owned enterprise in the PRC.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$1,108,000 (2011: HK$24,742,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because the Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired, is as follows:

	2012 HK$'000	2011 HK$'000
Over 90 days	**1,108**	24,742

The movement of allowance for doubtful debts in respect of trade receivables were as follows:

	2012 HK$'000	2011 HK$'000
At 1 April	**–**	–
Impairment loss during the year	**3,653**	–
At 31 March	**3,653**	–

Included in the impairment loss of trade receivables are individually impaired trade receivables due from a single customer with an aggregate balance of HK$3,653,000 (2011: nil). The balance is long outstanding and the Group has ceased business relationship with that customer. The management of the Group considered the balance is not recoverable. The Group does not hold any collateral over these balances.

The above trade and other receivables are denominated in the functional currencies of the relevant group entities.

20. Pledged Bank Deposit and Bank Balances and Cash

The pledged bank deposit is used to secure the credit facility granted from a financial institution. At the end of the reporting period, the Group does not utilise the credit facility. Accordingly, the pledged bank deposit is classified as current assets. Bank balances and cash comprise cash held by the Group with the original maturity of three months or less.

20. Pledged Bank Deposit and Bank Balances and Cash *(Continued)*

The pledged bank deposit and bank balances carry interests at market rates range as follows:

	2012	2011
Pledged bank deposit	**1.1%**	1.1%
Bank balances	**0.01% to 0.6%**	0.01% to 0.5%

Pledged bank deposit and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB HK$'000	HKD HK$'000	MOP HK$'000
As at 31 March 2012			
Pledged bank deposit	62,286	–	–
Bank balances and cash	–	78,418	1,104
As at 31 March 2011			
Pledged bank deposit	59,500	–	–
Bank balances and cash	–	51,414	558

21. Trade and Other Payables and Accruals

	2012 HK$'000	2011 HK$'000
Trade payables	**20,660**	17,773
Accruals	**3,113**	1,054
Other tax payables	**941**	605
Deferred service income	**2,250**	–
Others	**1,308**	5,046
	28,272	24,478

The aged analysis of the Group's trade payable based on the invoice date at the end of the reporting period is as follows:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**17,205**	13,070
31 – 60 days	**3,316**	3,261
61 – 90 days	**130**	99
Over 90 days	**9**	1,343
	20,660	17,773

The above trade and other payables of the Group are denominated in the functional currencies of the relevant group entities.

22. Deferred Tax Liabilities

The following is the deferred tax liabilities recognised and movements thereon during the current year:

	Fair value adjustment on other intangible assets
	HK$'000
At 1 April 2011	–
Acquisition of subsidiaries *(note 32)*	7,707
Credit to profit or loss *(note 8)*	(3,339)
Exchange realignment	64
At 31 March 2012	4,432

The Group had unused tax losses of approximately HK$157,000 (2011: HK$157,000) which are available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

23. Share Capital

	Notes	Number of shares	Nominal value
			HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At date of incorporation	*(i)*	39,000,000	390
Increase	*(ii)*	9,961,000,000	99,610
At 31 March 2011 and 31 March 2012		10,000,000,000	100,000
Issued and fully paid:			
Allotted and issued on incorporation	*(i)*	1	–
Issue of shares upon the Group Reorganisation	*(iii)*	40,009,999	400
Issue of shares on capitalisation of the share premium account	*(iv)*	466,656,000	4,667
Issue of shares under the listing on the Stock Exchange	*(v)*	160,000,000	1,600
At 31 March 2011 and 2012		666,666,000	6,667

23.Share Capital *(Continued)*

Notes:

(i) The Company was incorporated on 9 June 2010 with an authorised capital of HK$390,000, divided into 39,000,000 shares of HK$0.01 each. On the date of incorporation, one ordinary share of HK$0.01 was issued at nil paid to an initial subscriber which was then transferred to Mr. Chum Tung Hang.

(ii) Pursuant to the resolutions passed by the sole shareholder of the Company on 15 December 2010, the authorised share capital of the Company was increased from HK$390,000 to HK$100,000,000 by the creation of additional 9,961,000,000 ordinary shares of HK$0.01 each.

(iii) On 24 December 2010, the Company issued 40,009,999 ordinary shares of HK$0.01 each pursuant to the Group Reorganisation.

(iv) On 12 January 2011, the Company allotted and issued 466,656,000 ordinary shares of HK$0.01 each credited as fully paid to the shareholders by the capitalisation of an amount of HK$4,666,560 in the share premium account of the Company at par.

(v) On 13 January 2011, the Company issued a total of 160,000,000 ordinary shares of HK$0.01 each at the HK$1.95 by way of a global offering.

All the shares issued during the period from 9 June 2010 (date of incorporation) to 31 March 2011 and 31 March 2012 ranked pari passu in all respects with the then existing shareholders.

24.Information of the Statement of Financial Position of the Company

	2012	2011
	HK$'000	HK$'000
Assets and liabilities		
Interests in subsidiaries	**219,486**	142,409
Pledged bank deposit	**62,286**	59,500
Bank balances and cash	**22,121**	133,184
Total assets	**303,893**	335,093
Other payables and accruals	**2,997**	5,353
	300,896	329,740
Capital and reserves		
Share capital	**6,667**	6,667
Reserves *(note)*	**294,229**	323,073
	300,896	329,740

24. Information of the Statement of Financial Position of the Company *(Continued)*

Note:

	Share Premium HK$'000	Contributed surplus HK$'000	Retained profit HK$'000	Total HK$'000
At date of incorporation	–	–	–	–
Profit and total comprehensive income for the period	–	–	34,050	34,050
Effect from Group Reorganisation	–	654	–	654
Issue of new shares *(note 23(v))*	310,400	–	–	310,400
Transaction costs of attributable to issue of new shares	(17,364)	–	–	(17,364)
Issue of shares by capitalisation of share premium account *(note 23(iv))*	(4,667)	–	–	(4,667)
At 31 March 2011	288,369	654	34,050	323,073
Loss and total comprehensive expense for the year	–	–	(8,844)	(8,844)
Dividend recognised as distribution	–	–	(20,000)	(20,000)
At 31 March 2012	288,369	654	5,206	294,229

25. Retirement Benefit Plans

The Group operated a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme were held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees were each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme was to make the required contributions under the scheme. No forfeited contribution was available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group operates a defined contribution retirement benefit plan for all qualifying employees in Macau operated by the Macau government.

26. Share-Based Payment Transactions

On 17 December 2010, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible participants who contribute to the success of the Group's operations.

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

(a) Any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of the subsidiaries or any entity ("Invested Entity") in which the Company holds an equity interest;

(b) Any non-executive directors (including independent non-executive directors) of the Company; any of the subsidiaries of any Invested Entity;

(c) Any supplier of goods or services to the Company or any of the subsidiaries or any Invested Entity;

(d) Any customer of the Company or any Invested Entity;

(e) Any person or entity that provides research, development or other technological support to the Company or any Invested Entity;

(f) Any shareholders of the Company or any of the subsidiaries or any Invested Entity or any holder of any securities issued by the Company or any of the subsidiaries or any Invested Entities; and

(g) Any company wholly-owned by one or more persons belonging to any of the above classes of participants from (a) to (f) above.

Maximum number of shares

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital from time to time.

The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme to be granted under the Scheme and any other share option schemes of the Company) must not in aggregate exceed 66,666,600 shares, being 10% of the total number of shares in issue at the time dealings in the shares of the Company first commenced, on the Stock Exchange (excluding the shares which may be issued pursuant to the exercise of the over-allotment option).

26. Share-Based Payment Transactions *(Continued)*

Maximum number of shares *(Continued)*

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual on any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Minimum period for which an option must be held before it can be exercised

Options may be exercised at any time from the minimum period for which an option must be held before it can be exercised determined by the board of directors of the Company commencing from the date of grant of the share option to the 10th anniversary of the date of grant.

Time of exercise of option

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

Amount payable on acceptance

HK$1.00

Basis of determining exercise price

Determined by the directors of the Company at their discretion and shall not be less than the highest of:

(a) The nominal value of an ordinary share of the Company;

(b) The average closing price of the ordinary share of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option; and

(c) The closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day).

During the period from 17 December 2010 to 31 March 2011, year ended 31 March 2012, as at 31 March 2011 and 31 March 2012, no options were granted, exercised or lapsed under the Scheme.

27.Pledge of Asset

At the end of the reporting period, the Group's credit facility from financial institutions was secured by the following:

	2012	2011
	HK$'000	HK$'000
Property, plant and equipment	**9,094**	–
Prepaid lease payments	**4,217**	–
Pledged bank deposit	**62,286**	59,500
	75,597	59,500

28.Related Party Disclosures

(I) Related party transactions

During the year, the Group entered into the following transactions with related parties:

Name of related party	**Nature of transactions**	**2012**	2011
		HK$'000	HK$'000
Speedy Fortune (Hong Kong) Limited ("Speedy Fortune") *(Note)*	Sales of goods	**–**	2,250

Note: Ms. Shirley Chum Sze Wing, who is one of the beneficiaries of the Chum's Family Trust, ceased to be the director of Speedy Fortune since August 2010. No other related party transaction was entered by the Group with Speedy Fortune after the Listing.

In addition, Mr. Chum Tung Hang had applied for and successfully obtained patents for certain technologies and designs. During both years, Mr. Chum Tung Hang granted the Group the exclusive rights to use certain patented technologies and designs for the respective life of those patents without any charge.

(II) Compensation of key management personnel

The remuneration of directors and other members of key management during the year ended 31 March 2012 was as follows:

	2012	2011
	HK$'000	HK$'000
Fees, salaries and other allowances	**6,620**	1,580
Retirement benefit schemes contributions	**–**	1
	6,620	1,581

29. Major Non-Cash Transaction

During the year ended 31 March 2011, the Group has the following major non-cash transactions:

(i) The dividend distribution of HK$140,000,000 was settled through the amount due from controlling shareholder of the Company.

(ii) The amounts due from controlling shareholders of approximately HK$40,365,000 was assigned to settle the amounts due to controlling shareholders.

30. Capital Risk Management

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

The capital structure of the Group consists equity attributable to the owners of the Company, comprising issued share capital and retained profits.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost and the risks associated with each class of the capital. Based on recommendations of the management, the Group and the Company will balance its overall capital structure through the payment of dividends and raising of new capital as well as the issue of debt.

31. Financial Instruments

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**286,291**	345,781
Financial liabilities		
Amortised cost	**21,968**	22,819

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk, credit risk and liquidity risk and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

31. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Currency risk

Certain sales transactions of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Certain of pledged bank deposit and bank balances and cash are denominated in foreign currencies at the end of the reporting period. The exposure in exchange rate risks mainly arises from fluctuations of Renminbi ("RMB"), HKD, Macau Pataca ("MOP").

Sensitivity analysis

Since USD is pegged with HKD, the relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to USD against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currencies risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A position number below indicates an increase in loss/decrease in profit for the year where USD strengthens 5% (2011: 5%) against the relevant currencies.

	2012 **HK$'000**	2011 HK$'000
USD against RMB	**2,336**	2,656
USD against MOP	**55**	28

For a 5% (2011: 5%) weakening of USD against the relevant currency, there would be an equal and opposite impact on the profit or loss and the balances below would be space. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances due to the fluctuation of the prevailing market interest rate, and exposed to fair value interest rate risk in relation to a fixed-rate pledged bank deposit. The directors of the Company consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as the interest rate fluctuation on bank balances is minimal. The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

31. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances and pledged bank deposit are placed in various authorised financial institutions and the directors of the Company consider the credit risk of such authorised financial institutions is low.

The Group has concentration of credit risk on top five trade receivables which accounted for 87.3% and 94.5% of the Group's total trade receivables as at 31 March 2012 and 31 March 2011, respectively. These top five trade receivables are reputable household and clinical plastic products companies with good past credit records with the Group. In order to minimise the credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In addition, the management aims at broadening the customer base by developing the PRC markets for degradable hygienic disposables and medical products. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group is exposed to concentration of credit risk on a refundable deposit to a supplier of approximately HK$21,450,000. Since the whole amount of refundable deposit is guaranteed by a customer of MTBE business, which is a state-owned enterprise in the PRC, the directors of the Company believe that the Group's exposure is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

31. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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

Liquidity and interest risk table

	Weighted average of contractual interest rate %	Less than 30 days or on demand HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2012				
Trade and other payables	–	21,968	21,968	21,968

	Weighted average of contractual interest rate %	Less than 30 days or on demand HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2011				
Trade and other payables	–	22,819	22,819	22,819

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

32. Acquisitions of Subsidiaries

On 6 December 2011, the Group completed the acquisition of the entire equity interest of Sino-Singapore (Offshore) Chemical Resources Trading Company Limited and its subsidiaries ("Sino-Singapore Group") from an independent third party for a cash consideration of HK$25,000,000. Sino-Singapore Group is acting as the sourcing agent of MTBE products, which is a chemical compound used for gasoline blending, for a PRC company. The subsidiary was acquired so as to diversify the business in order to maximise the return of the Group.

In addition, as part of the acquisition, for the period from 1 January 2012 to 31 December 2012, if the net profit after tax before any extraordinary or exceptional items and before all non-cash items (as defined in the HKFRS) is less than HK$2,700,000, the vendor will compensate the Group for the shortfall.

In the opinion of the directors of the Company, the estimated fair value of the contingent consideration receivable is not significant at the date of acquisition and the end of the reporting period.

On 20 January 2012, the Group completed the acquisition of the entire equity interest of S&J Distribution Limited ("S&J") from an independent third party for cash consideration of approximately HK$23,486,000. S&J is engaged in wholesaling and retailing of household consumables in the United Kingdom. The subsidiary was acquired so as to broaden the distribution channels and implement the Group's marketing and promotional strategies in Europe and providing an opportunity for the Group to diversify its business.

In addition, the Group entered into an agreement with the seller of S&J to lease the premises ("Premises") which are currently occupied by S&J as warehouse and office to S&J for a term of four years from 20 January 2012, of which the first two years are non-cancellable lease at a nominal fee. The rent for the remaining lease term would be the greater of either £75,000 per annum (equivalent to approximately HK$900,000) or the market rent of the Premises on the second anniversary from 20 January 2012. In addition, the seller agreed to grant an exclusive right and option ("Option") to the Group to buy the Premises at the purchase price £1,500,000 (equivalent to approximately HK$18,000,000) at anytime with an option period of two years from 20 January 2012. In the opinion of the directors of the Company, the value of the lease agreement and Option at the date of acquisition is not significant.

Fair value of assets acquired and liabilities at the date of acquisition

	Sino-Singapore Group HK$'000	**S&J** HK$'000	**Total** HK$'000
Property, plant and equipment	–	670	670
Customer network (included in other intangible assets)	–	9,765	9,765
Sales contract (included in other intangible assets)	33,292	–	33,292
Inventories	–	7,132	7,132
Trade and other receivables and prepayments	78	8,335	8,413
Bank balances and cash	2	4,637	4,639
Trade and other payables and accruals	–	(13,551)	(13,551)
Tax payables	–	(1,055)	(1,055)
Bank overdrafts	–	(7)	(7)
Deferred tax liabilities	(5,493)	(2,214)	(7,707)
	27,879	13,712	41,591
Non-controlling interest	(2,879)	–	(2,879)
Goodwill *(note 16)*	–	9,774	9,774
	25,000	23,486	48,486

32. Acquisitions of Subsidiaries *(Continued)*

Fair value of assets acquired and liabilities at the date of acquisition *(Continued)*

The fair values of trade and other receivables and prepayments at the date of acquisitions amounted to approximately HK$78,000 and HK$8,335,000 for Sino-Singapore Group and S&J respectively, which represent the gross contractual amount as well as the best estimate at acquisition dates of the contractual cash flows expected to be collected at acquisition dates.

At the date of acquisition, the non-controlling interests is measured at the non-controlling interest's share of the fair value of the identifiable assets.

Goodwill arose in the acquisition of S&J because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of S&J. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisitions

	Sino-Singapore Group	**S&J**	**Total**
	HK$'000	HK$'000	HK$'000
Consideration transferred	25,000	23,486	48,486
Less: cash and cash equivalent balances acquired	(2)	(4,630)	(4,632)
	24,998	18,856	43,854

The fair value of the customer network was determined based on a valuation carried out at the acquisition date using the multi-period excess earnings method. The fair value represents present value of the incremental cash flow attributable to the customer network, by applying a discount rate of 18% per annum and customer attrition rate of 10% per annum.

The fair value of sales contract was determined based on a valuation carried out at the acquisition date using the multi-period excess earnings method. The fair value represents present value of the incremental cash flow attributable to the sales contract, by applying a discount rate of 14% per annum.

32. Acquisitions of Subsidiaries *(Continued)*

Net cash outflow on acquisitions *(Continued)*

Included in the loss for the year are loss of HK$15,660,000 and profit of HK$572,000 attributable to the additional business generated by Sino-Singapore Group and S&J, respectively. Revenue for the year included HK$807,000 and HK$13,260,000 generated from Sino-Singapore Group and S&J, respectively.

Had the acquisition been completed on 1 April 2011, total group revenue for the year would have been HK$325,616,000, and loss for the year would have been HK$30,386,000. The proforma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 April 2011, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and loss of the Group had Sino-Singapore Group and S&J been acquired at the beginning of the current year, the directors have calculated depreciation of plant and equipment and amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

On 6 March 2012, together with a non-controlling interest of a non-wholly owned subsidiary of the Group (the "NCI"), the Group entered into agreement with the parties connected to NCI to acquire 100% equity interest in Beijing Think Micro-Medical Technology Limited ("Beijing Think"), a company established in the PRC, for total consideration of approximately RMB759,000 with reference to the net assets value of Beijing Think as at 31 December 2011, and jointly invest in Beijing Think for not more than HK12,000,000. The completion of the acquisition will be subject to the obtaining all the necessary approval from relevant government authority in the PRC.

33. Event After the Reporting Period

On 9 March 2012, Twin Star Global Limited and parties acting in contract with it (namely, Smooth Auspicious International Limited, Imperishable Land Limited and Wise Attempt Limited) (collectively referred to as the "Offeror Group") entered into a sales and purchase agreement with Able Bright Limited (the "Vendor"), whereby the Offeror Group acquired and the Vendor sold approximately 71.5% of the existing issued share capital of the Company at a price of HK$0.524 per share.

Pursuant to the Takeover code the Offeror Group is required to make a mandatory unconditional general offer in cash for all the issued shares other than those already owned by the Offeror Group (the "Offer"). On 14 May 2012, being the closure date of the Offer, 22,000 shares were accepted under the Offer.

34. Particulars of Subsidiaries

Particulars of the subsidiaries at 31 March 2012 and 2011 are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest held by the Group as at 31 March		Principal activities
			2012 %	2011 %	
Greenstar Enviro-Tech*	British Virgin Islands ("BVI") 12 January 2010	USD10,000	**100**	100	Investment holding
Two-Two-Free	Macau 5 February 2004	MOP$100,000	**100**	100	Trading of hygienic disposable products
Ramber Industrial Limited	HK 16 June 1989	HK$2	**100**	100	Investment holding
Tary Limited	HK 14 March 1986	HK$1,000,000	**100**	100	Investment holding
Nupoly Medical Supply Development Co. Limited	HK 25 March 2010	HK$1	**100**	100	Investment holding
惠州市駿洋塑膠有限公司 Huizhou Junyang**	The PRC 24 October 2000	USD5,000,000	**100**	100	Manufacturing of hygienic disposables products
北京覃寶康醫療發展科技有限公司 Beijing Chum Baokang Medical Technological Development Company Limited**	The PRC 16 September 2011	HK$11,200,000	**100**	100	Inactive
Sino-Singapore (Offshore) Chemical Resources Trading Company Limited	BVI 23 May 2011	USD1	**100**	N/A	Investment holding
China Petro-chemical Resources Trading Company Limited	HK 28 April 2011	HK$1,000,000	**90**	N/A	Agent of MTBE products
S&J	United Kingdom 19 January 2006	GBP100	**100**	N/A	Wholesale and retail of household consumables
Think Medical Science (HK) Company Limited	HK 6 January 2012	HK$1,000	**70**	N/A	Investment holding

* The subsidiary is directly owned by the Company.
** English translated name is for identification purpose only.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

Financial Summary

Results

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**259,094**	426,272	427,116	311,607	282,080
(Loss) profit for the year	**(35,105)**	54,925	78,944	43,531	43,149
Total comprehensive (expense) income for the year attributable to owners of the Company	**(28,495)**	57,179	79,079	44,940	46,895

Assets and Liabilities

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**428,965**	465,087	382,682	254,965	206,235
Total liabilities	**(38,374)**	(27,316)	(156,629)	(108,069)	(100,279)
Net assets	**390,591**	437,771	226,053	146,896	105,956

Note 1: The Company was incorporated in the Cayman Islands on 9 June 2010 and became the holding company of the Group on 24 December 2010. The results and assets and liabilities of the Group for 2008, 2009 and 2010 have been prepared on a combined basis as if the current group structure had been in existence throughout and at the end of those years and have been extracted from the Prospectus.

Note 2: Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange during the period from the date of the Listing (i.e. 13 January 2011) to 31 March 2012.