



Interim report  
*2010*

# *Come Sure*

**Group (Holdings) Limited**

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

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. CHONG Kam Chau (*Chairman and President*)  
Mr. CHONG Wa Pan (*Managing Director*)  
Mr. CHONG Wa Ching  
Mr. CHONG Wa Lam

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## LEGAL ADVISERS TO THE COMPANY

### As to Hong Kong law:

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

### As to Cayman Islands law:

Appleby  
8th Floor, Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

### As to PRC law:

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

## AUDITOR

RSM Nelson Wheeler  
29th Floor, Caroline Centre  
Lee Gardens Two  
28 Yun Ping Road  
Hong Kong

## PROPERTY VALUERS

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

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## COMPANY WEBSITE ADDRESS

[www.comesure.com](http://www.comesure.com)

## COMPANY SECRETARY

Mr. HUNG Man Yuk, *Dicson CPA*

## AUTHORISED REPRESENTATIVES

Mr. CHONG Wa Ching  
Mr. CHONG Wa Lam

# Corporate Information

## **AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE UNDER PART XI OF THE COMPANIES ORDINANCE**

Mr. CHONG Wa Ching

## **MEMBERS OF AUDIT COMMITTEE**

Mr. LAW Tze Lun (*Chairman*)

Mr. CHAU On Ta Yuen

Ms. TSUI Pui Man

## **MEMBERS OF REMUNERATION COMMITTEE**

Ms. TSUI Pui Man (*Chairman*)

Mr. CHAU On Ta Yuen

Mr. LAW Tze Lun

Mr. CHONG Wa Pan

## **MEMBERS OF NOMINATION COMMITTEE**

Ms. TSUI Pui Man (*Chairman*)

Mr. CHAU On Ta Yuen

Mr. LAW Tze Lun

Mr. CHONG Wa Pan

## **PRINCIPAL BANKERS**

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

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

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

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

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

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT**

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

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

# Management Discussion and Analysis

## BUSINESS REVIEW

During the period under review, the global economy kept on recovering, the PRC economy continued its strong growth and the raw paper materials cost remained relatively stable after the rapid increase during the first quarter of 2010 which had collectively provided a better business environment for paper-based packaging manufacturers in the PRC. During the period under review, the Group seized the business opportunities which resulted in the PRC domestic sales, direct export sales to Hong Kong and the domestic delivery export of the Group increased by approximately 40.0%, 43.3% and 35.5% respectively as compared to the same period last year.

The Group continued to employ the PRC domestic market development as its core strategy. The existing production plants in Shenzhen and the new production plant in Huidong equipped with sufficient production capacity aimed at serving the customers in Guangdong Province. As the Group strives to extend its PRC domestic sales network outside Guangdong Province, during the period under review, the Group entered into the Jiangxi market by acquiring effectively 51.0% equity interests of Rising Sun Paper (Jiangxi) Co., Limited (“Rising Sun”), a production plant in Jiangxi Province, and signed a joint venture agreement for formation of a joint venture company in Fujian Province enabling the Group to enter into the Fujian market.

The Group also increased its effort to market to renowned potential customers and to develop high value added products and services. During the period, the Group successfully secured a considerable number of new customers, which included international furniture manufacturer, coffee chain shop and some other well-known brands in various industries, by providing tailor designed packaging products.

During the period, the Group signed a master purchase agreement with Nine Dragons Paper (Holdings) Limited (“Nine Dragons”), a company incorporated in Bermuda with limited liability, and its subsidiaries (collectively, the “Nine Dragons Group”), the largest raw paper materials supplier in PRC, in ensuring the stable raw paper materials supply for the Group’s future development.

Internally, the Group strived to improve the operation efficiency by carrying out study on the production flows and effectively implemented the improvement measures. The materials costs were also effectively controlled through prudent inventories control and procurement management. In addition, the stringent credit control and prudent financial management were still employed by the Group during the period, which brought about the low bad debts rate and helped maintain a healthy financial position for the Group’s development.

	30 September 2010		30 September 2009	
	HK\$'000	(%)	HK\$'000	(%)
PRC domestic sales	159,773	47.5	114,129	46.8
Domestic delivery export	159,339	47.3	117,622	48.2
Direct export sales to Hong Kong	17,423	5.2	12,159	5.0
Total Sales	336,535		243,910	
Gross profit ratio		18.7		17.4
Net profit ratio*		3.2		3.5

\* before the gain on disposal of subsidiaries, gain on bargain purchase and unvested share-based payment

# Management Discussion and Analysis

## REVENUE

During the period under review, the sales revenue of the Group amounted to approximately HK\$336.5 million, increased by approximately 38.0% as compared with approximately HK\$243.9 million for the last corresponding period.

### Shenzhen operation

The sales revenue generated from the operations in Shenzhen amounted to approximately HK\$300.0 million, increased by approximately 23.0% as compared with the same period in 2009. In view of comparatively lower margin of corrugated paper board, the Group concentrated its effort in developing high value added products during the period under review. As a result, the sales revenue generated from printed cartons and other paper-wares lifted by approximately 40.7% to approximately HK\$220.4 million in 2010 (2009: approximately HK\$156.6 million) with the average selling price and sales volume surged by approximately 20.7% and 16.7% respectively.

### Jiangxi operation

During the period, the operation in Jiangxi contributed approximately HK\$36.5 million sales revenue to the Group, as the production capacity of Rising Sun had not been fully utilized during the period, the Group believes that the operation in Jiangxi would contribute a higher sales revenue to the Group by capturing the large potential markets nearby the Jiangxi area.

## GROSS PROFITS

The Group's gross profits for the six months period ended 30 September 2010 increased by approximately 48.6% from approximately HK\$42.4 million in 2009 to approximately HK\$63.0 million in 2010, and the Group's gross profit margin increased from approximately 17.4% to 18.7%.

### Shenzhen operation

The gross profit contributed by the operations in Shenzhen for the six months period ended 30 September 2010 amounted to approximately HK\$58.2 million, and the gross profit margin was approximately 19.4%, representing an approximately 2.0% increase in gross profit margin as compared with the last corresponding period, which revealed the Group's achievement in high value added products development and its ability to transfer the raw materials cost to its customers after the sharp increase in raw paper price during the first quarter of 2010.

### Jiangxi operation

The gross profit and gross profit margin of the operation in Jiangxi from the date of acquisition of Rising Sun to 30 September 2010 were approximately HK\$4.8 million and approximately 13.1% respectively. As more than 70% of the sales revenue was generated from corrugated board during the period under review, the gross profit margin was relatively lower than that of the operations in Shenzhen. To be in line with the Group's strategy, Rising Sun will increase its effort in developing high value added products market and target potential customers with renowned brands in its surrounding areas. The Group believes that the operation in Jiangxi will contribute an increasing income stream with a better margin in the near future.

# Management Discussion and Analysis

## SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

The Group's selling and distribution expenses for the six months period ended 30 September 2010 increased by approximately 37.9% from approximately HK\$9.5 million in 2009 to approximately HK\$13.1 million in 2010. The increase was in line with the increase of turnover amount during the period, and approximately HK\$2.3 million was attributed to the operation in Jiangxi.

The administrative expenses for the six months period ended 30 September 2010 increased by approximately 60.6% to approximately HK\$35.5 million in 2010 as compared to approximately HK\$22.1 million in 2009. The increase was mainly due to the increase in salaries and allowances, social security contribution, the operating lease payment for the factories premises and the legal and professional fees, and approximately HK\$5.2 million was attributed to the operation in Jiangxi.

## OTHER OPERATING EXPENSES

The other operating expenses for the six months period ended 30 September 2010 represented a loss of approximately HK\$304,000 on disposal of property, plant and equipment, and impairment of approximately HK\$32,000 on doubtful debts arose from the operation in Jiangxi. For the same period in 2009, the operating expenses represented the impairment of approximately HK\$39,000 on doubtful debts.

## FINANCE COSTS

For the six months period ended 30 September 2010, the finance cost increased to approximately HK\$861,000 (2009: approximately HK\$585,000), which was mainly attributed to the interest on other loans paid for the operation in Jiangxi.

## TAXATION

Income tax expense increased from approximately HK\$2.1 million for the six months period ended 30 September 2009 to approximately HK\$4.0 million for the six months period ended 30 September 2010. Such increase was mainly due to the provision for the enterprise income tax of approximately HK\$2.3 million made for Rising Sun during the period.

## WORKING CAPITAL

	Turnover days	
	30 September 2010	31 March 2010
Trade receivables	71	69
Trade payables	28	25
Inventories	49	58
Cash conversion cycle*	92	103

\*  $\text{Trade receivables turnover days} + \text{Inventories turnover days} - \text{Trade payables turnover days}$

# Management Discussion and Analysis

## WORKING CAPITAL *(Continued)*

The trade and bills receivables were approximately HK\$168.2 million as at 30 September 2010, increased by approximately 82.8% as compared to approximately HK\$92.0 million as at 31 March 2010. Such increase was mainly caused by the peak season effect started from June each year, which led to the increase of sales and trade receivables during the period end. There were trade and bills receivables of approximately HK\$11.4 million attributed by the operation in Jiangxi as at 30 September 2010.

The trade receivables turnover day was 71 days for the six months period ended 30 September 2010 and it remained stable as compared to 69 days for the year ended 31 March 2010. The Group continued to manage the credit risks by closely monitoring the credit worthiness and past collection history of its customers.

The trade and bills payables were approximately HK\$54.8 million as at 30 September 2010, increased by approximately 98.6% as compared to approximately HK\$27.6 million as at 31 March 2010. The increase in trade and bills payables was mainly caused by the Group's increase of the purchases of raw materials to meet the increasing sales orders during the peak season period.

The trade payables turnover day increased from 25 days for the year ended 31 March 2010 to 28 days for the six months period ended 30 September 2010.

After a significant increase in the first quarter of 2010, the raw paper materials cost remained relatively stable during the period under review. The inventories of the Group as at 30 September 2010 slightly decreased by approximately 5.6% as compared to approximately HK\$75.0 million as at 31 March 2010, which carried a total worth of approximately HK\$70.8 million as at 30 September 2010. The inventories turnover day decreased by 9 days from 58 days for the year ended 31 March 2010 to 49 days for the six months period ended 30 September 2010.

To summarize, the cash conversion cycle of the Group improved from 103 days for the year ended 31 March 2010 to 92 days for the six months period ended 30 September 2010, which represented the Group's improved operation effectiveness and the reduction in the liquidity risk during the period under review.

## LIQUIDITY AND FINANCIAL RESOURCES

	30 September 2010	31 March 2010
Current ratio	2.5	4.2
Gearing ratio	12.5%	6.0%

As at 30 September 2010, the Group's total cash and cash equivalents amounted to approximately HK\$180.3 million, excluding approximately HK\$9.3 million pledged bank deposits (At 31 March 2010: approximately HK\$163.9 million).

The current assets held by the Group increased from approximately HK\$368.3 million as at 31 March 2010 to approximately HK\$463.2 million as at 30 September 2010. The current liabilities increased from approximately HK\$88.2 million as at 31 March 2010 to approximately HK\$182.3 million as at 30 September 2010. The current ratio decreased from approximately 4.2 as at 31 March 2010 to approximately 2.5 as at 30 September 2010.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

The total outstanding borrowings increased from approximately HK\$30.2 million as at 31 March 2010 to approximately HK\$82.4 million as at 30 September 2010. The increase of borrowings was mainly attributed by the increase of raw materials purchase import loans to meet peak season demand during the period end and approximately HK\$15.3 million long-term loans raised for the operation in Jiangxi for operating capital. The gearing ratio increased from approximately 6.0% as at 31 March 2010 to approximately 12.5% as at 30 September 2010. The Group maintained sufficient bank and cash balances to repay all its borrowings as at 30 September 2010.

The Group still maintains a sound liquidity position and possesses with sufficient cash and banking facilities to meet the working capital requirements for existing operations and the new production plants, and also to finance potential investment opportunities.

## FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities were dominated in currencies other than the functional currency of the respective members of the Group. During the period under review, the Group effectively generated sufficient RMB sales income to match the RMB operating expenses of the Company's PRC subsidiaries. Under this consideration, the Group did not enter into any hedging arrange during the period under review. However, the Group will continue to monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the needs arise.

## CHARGE OF ASSETS

As at 30 September 2010, the Group pledged certain assets including bank deposits, land and buildings with aggregate net book value of approximately HK\$39.4 million (At 31 March 2010: approximately HK\$27.0 million) to secure banking facilities granted to the Group.

## CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 2010, the Group's capital expenditure contracted but not provided for regarding to property, plant and equipment was approximately HK\$45.0 million (At 31 March 2010: approximately HK\$7.4 million).

As at 30 September 2010, the Group had no significant contingent liabilities (At 31 March 2010: nil).

## SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITION AND DISPOSAL

Speedy Concept Development Limited ("Speedy Concept"), a wholly-owned subsidiary of the Company, Rising Sun (HK) Industrial Holdings Company Limited (the "Rising Sun (HK)"), a limited company incorporated in Hong Kong and 10 shareholders of Rising Sun (HK) in aggregate holding 75% of the entire issued share capital of Rising Sun (HK) had entered into the sale and purchase agreement (the "Sale and Purchase Agreement") on 20 April 2010, pursuant to which Speedy Concept had conditionally agreed to acquire and Rising Sun (HK) had conditionally agreed to sell 56.05% of the entire issued share capital of Fully Chance Holdings Limited ("Fully Chance") at a total consideration of HK\$18,904,634. The consideration is satisfied by cash payment of HK\$9,439,034 and the remaining balance is satisfied by the issue of 6,800,000 ordinary shares of the Company (the "Consideration Shares"). Fully Chance is the legal and beneficial owner of 91% equity interest in Rising Sun, a sino-foreign joint venture enterprise established in the PRC. Rising Sun is principally engaged in manufacturing and processing of paper board, paper boxes and high-class packaging paper. For details of the acquisition, please refer to the announcement of the Company dated 20 April 2010. The Consideration Shares had been issued on 20 May 2010.

# Management Discussion and Analysis

## FORMATION OF A JOINT VENTURE COMPANY

On 29 July 2010, Mass Winner Holdings Limited (“Mass Winner”), a wholly-owned subsidiary of the Company, had entered into the joint venture agreement (“Joint Venture Agreement”) with Crown Gold Limited (“Crown Gold”), a company wholly-owned by Mr. Zhang Cheng Fei, who is an executive director and the controlling shareholder of Nine Dragons. Pursuant to the Joint Venture Agreement, the parties thereto had conditionally agreed to form a joint venture company (the “JV Company”), in which Mass Winner and Crown Gold would hold 60% and 40% respectively of the total issued share capital of the JV Company. It had been further agreed between the parties that the JV Company would set up a wholly-foreign owned enterprise in the PRC to be a wholly-owned subsidiary of the JV Company with initial registered capital of HK\$50 million, which would be principally engaged in sales and manufacturing of corrugated paper-board and paper based packaging products. The total contribution commitment by the Group is HK\$30 million which is in proportion to its shareholding in the JV Company. For details of the aforesaid transactions, please refer to the announcement of the Company dated 29 July 2010.

## EMPLOYEE AND REMUNERATION

As at 30 September 2010, the Group, including the Jiangxi production plant and the processing factory, employed approximately 1,350 employees (At 31 March 2010: approximately: 600). The Group offered competitive remuneration package to its employees. Salaries are reviewed annually based on merit, working performance and the prevailing market condition. The Group may also grant share options and discretionary bonuses to eligible employees based on individual and the Group’s performance.

## PROSPECT

The global economy continues to recover from the financial crisis, however, the European governments’ debt problems and fiscal policy of the United State are still undermining the global economy recovery in the future. On the other hand, the PRC’s economy growth remains strong among the other economies around the world, and it is expected that the domestic demand of paper-based packaging products will continue to increase under such strong economic environment and the promotion of environmental policies by the PRC government.

During the last few years, the Group effectively developed the PRC domestic market and its ratio of domestic sales over the total turnover increased from approximately 30% in 2008 to approximately 50% during the period under review. In the future, the Group will continue to focus on the PRC domestic market development by targeting local renowned brands and extending its sales network outside Guangdong Province. After the acquisition of Rising Sun during the period under review, the Group had started to map out the establishment of the Fujian production plant, and it is expected to commence operation in 2012/2013.

As a one-stop green packaging partner, the Group will strive to provide value added services to its customers, which include structure design, logistic management, and will maintain sufficient investment in latest environmental development to ensure the packaging products supplied to its customers can meet the latest environmental standards. The Group believes that such value added services can distinguish itself from other packaging suppliers, which helps secure the sales orders from existing valuable customers and attract potential customers. The Group believes that it can deliver maximum shareholders’ return through the implementation of such focused strategy.

## Changes of Information in Respect of a Director

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

### **Experience including Other Directorships and Major Appointments**

Mr. LAW Tze Lun became an independent non-executive director of China Automotive Interior Decoration Holdings Limited<sup>(1)</sup> and Gemini Property Investments Limited (formerly named Kee Shing (Holdings) Limited)<sup>(2)</sup> with effect from 12 April 2010 and 12 November 2010, respectively.

Notes:

- (1) This company is listed on the GEM Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- (2) This company is listed on the Main Board of The Stock Exchange.

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

# Corporate Governance and Other Information

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

As at 30 September 2010, the interests and short positions of the directors of the Company ("Directors") or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions in the shares

Name	Capacity/Nature	Number of shares	Percentage of issued shares (approximately)
Mr. CHONG Kam Chau (Notes 1 & 2)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	210,000,000	63.87%
	Beneficial owner	1,700,000 <sup>(Note)</sup>	0.52%
Mr. CHONG Wa Pan (Notes 1 & 3)	Beneficiary of a discretionary trust	210,000,000	63.87%
	Beneficial owner	1,200,000 <sup>(Note)</sup>	0.36%
Mr. CHONG Wa Ching (Notes 1 & 3)	Beneficiary of a discretionary trust	210,000,000	63.87%
	Beneficial owner	600,000 <sup>(Note)</sup>	0.18%
Mr. CHONG Wa Lam (Notes 1 & 3)	Beneficiary of a discretionary trust	210,000,000	63.87%
	Beneficial owner	600,000 <sup>(Note)</sup>	0.18%
Mr. CHAU On Ta Yuen	Beneficial owner	500,000 <sup>(Note)</sup>	0.15%
Ms. TSUI Pui Man	Beneficial owner	500,000 <sup>(Note)</sup>	0.15%
Mr. LAW Tze Lun	Beneficial owner	500,000 <sup>(Note)</sup>	0.15%

Note:

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

# Corporate Governance and Other Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES *(Continued)*

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

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

Notes:

- The entire issued shares of Perfect Group Version Limited are held by Jade City Assets Limited, which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG Kam Chau as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG Kam Chau, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam and the issues of Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam.
- Mr. CHONG Kam Chau is the founder, an executive Director, President of the Group and the Chairman of the Board. Mr. CHONG Kam Chau is the sole director of Perfect Group Version Limited and therefore Mr. CHONG Kam Chau is deemed or taken to be interested in the entire issued shares of Perfect Group Version Limited and the 210,000,000 Shares beneficially owned by Perfect Group for the purposes of the SFO. Mr. CHONG Kam Chau as settlor and a beneficiary of the CHONG Family Trust is also deemed or taken to be interested in the 210,000,000 Shares held by Perfect Group Version Limited under the SFO.
- Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam, as executive Directors and beneficiaries and the issues of Mr. CHONG Wa Pan, namely, Mr. CHONG Kam Hung, Mr. CHONG Kam Shing and Ms. CHONG Sum Yee as beneficiaries of the CHONG Family Trust, are deemed or taken to be interested in entire issued shares of Perfect Group Version Limited and the 210,000,000 Shares held by Perfect Group Version Limited under the SFO.

Other than the holdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executive, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2010.

# Corporate Governance and Other Information

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and the chief executive of the Company, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions in the shares

Name	Capacity/Nature	Number of shares	Percentage of issued shares (approximately)
Perfect Group Version Limited (Note 1)	Beneficial owner	210,000,000	63.87%
Jade City Assets Limited (Note 2)	Interest of controlled corporation	210,000,000	63.87%
HSBC International Trustee Limited (Note 2)	Trustee	210,000,000	63.87%
Ms. CHAN Po Ting (Note 3)	Family interests; Beneficiary of a discretionary trust	211,700,000	64.39%
Ms. HUNG Shan Shan (Note 4)	Family interests	211,200,000	64.23%
Mr. CHONG Kam Hung (Note 1)	Beneficiary of a discretionary trust	210,000,000	63.87%
Mr. CHONG Kam Shing (Note 1)	Beneficiary of a discretionary trust	210,000,000	63.87%
Ms. CHONG Sum Yee (Note 1)	Beneficiary of a discretionary trust	210,000,000	63.87%

Notes:

1. The entire issued shares of Perfect Group Version Limited are held by Jade City Assets Limited, which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG Kam Chau as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG Kam Chau, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam and the issues of Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam. Mr. CHONG Kam Hung, Mr. CHONG Kam Shing and Ms. CHONG Sum Yee are issues of Mr. CHONG Wa Pan.
2. Such Shares are held by Perfect Group Version Limited, the entire issued shares of which are held by Jade City Assets Limited. The entire issued capital of Jade City Assets Limited is held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust.
3. Ms. CHAN Po Ting, the spouse of Mr. CHONG Kam Chau and one of the beneficiaries of the CHONG Family Trust, is deemed or taken to be interested in the interests held by Mr. CHONG Kam Chau and Perfect Group Version Limited under the SFO.
4. Ms. HUNG Shan Shan, is the spouse of Mr. CHONG Wa Pan and is deemed or taken to be interested in the interests held by Mr. CHONG Wa Pan under the SFO.

# Corporate Governance and Other Information

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

During the six months period ended 30 September 2010, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities save as disclosed below.

On 20 May 2010, the Company issued 6,800,000 ordinary shares as part of the consideration to acquire the 56.05% equity interest in Fully Chance.

## **CORPORATE GOVERNANCE**

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

The Company has complied with most of the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices (the "Code") of Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months period ended 30 September 2010, except for the deviation from the code provisions A.2.1 of the Code as described below.

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

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

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

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

All the members of the Board have confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the six months period ended 30 September 2010.

## **AUDIT COMMITTEE**

The main duties of the Audit Committee are to consider the relationship of external auditors, to review the financial statements of the Group, and to oversee the Group's financial reporting system and internal control procedures. The Audit Committee consists of three independent non-executive Directors, namely Mr. LAW Tze Lun, the Chairman of the Audit Committee, Mr. CHAU On Ta Yuen and Ms. TSUI Pui Man.

The Audit Committee, together with the management had reviewed this interim report and the unaudited consolidated financial statements of the Group for the six months period ended 30 September 2010, the accounting principles and practices adopted by the Group and had reviewed the internal controls and financial reporting matters.

# Corporate Governance and Other Information

## SHARE OPTION SCHEME

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

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

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

The total number of securities available for issue under the Scheme as at the date of this report was nil Shares which represented 10% of the issued share capital of the Company as at the date of this report. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

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

On 17 May 2010, according to the terms of the Share Option Scheme, the Company has granted 19,600,000 share options to certain eligible participants including certain Directors and employees at an exercise price of HK\$1.05 per share (900,000 share options of which were granted to the Directors) and the consideration for each of the grant was HK\$1. The share options granted pursuant to the Share Option Scheme will be exercisable from 13 November 2010 and expiring on 16 May 2020. Particulars of the share options granted under the Share Option Scheme were set forth in the announcement of the Company dated 17 May 2010.

On 30 September 2010, in accordance with the terms of the Share Option Scheme, all share options (i.e. 1,000,000 share options) granted to Mr. YIU Ho Chi lapsed on the expiry of 3 months after the date of cessation of employment (i.e. 30 September 2010) as an executive Director, company secretary and authorized representative of the Company. For details of the resignation of Mr. YIU Ho Chi, please see the announcement of the Company dated 1 July 2010.

# Corporate Governance and Other Information

## SHARE OPTION SCHEME (Continued)

Details of the share options outstanding as at 30 September 2010 under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK\$) (Note 1)	Share options held on 31 March 2010	Share options granted during the period	Share options exercised during the period	Share options lapsed during the period	Share options held on 30 September 2010
<b>Executive Directors of the Company</b>								
Mr. CHONG Kam Chau	6 January 2010	6 January 2011 to 5 January 2020	1.18	680,000	-	-	-	680,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	510,000	-	-	-	510,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	510,000	-	-	-	510,000
				1,700,000	-	-	-	1,700,000
Mr. CHONG Wa Pan	6 January 2010	6 January 2011 to 5 January 2020	1.18	480,000	-	-	-	480,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	360,000	-	-	-	360,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	360,000	-	-	-	360,000
				1,200,000	-	-	-	1,200,000
Mr. YIU Ho Chi (Note 2)	6 January 2010	6 January 2011 to 5 January 2020	1.18	400,000	-	-	(400,000)	-
	6 January 2010	6 January 2012 to 5 January 2020	1.18	300,000	-	-	(300,000)	-
	6 January 2010	6 January 2013 to 5 January 2020	1.18	300,000	-	-	(300,000)	-
				1,000,000	-	-	(1,000,000)	-
Mr. CHONG Wa Ching	6 January 2010	6 January 2011 to 5 January 2020	1.18	240,000	-	-	-	240,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	180,000	-	-	-	180,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	180,000	-	-	-	180,000
				600,000	-	-	-	600,000
Mr. CHONG Wa Lam	6 January 2010	6 January 2011 to 5 January 2020	1.18	240,000	-	-	-	240,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	180,000	-	-	-	180,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	180,000	-	-	-	180,000
				600,000	-	-	-	600,000
<b>16 other eligible participants of the Group</b>								
	6 January 2010	6 January 2011 to 5 January 2020	1.18	900,000	-	-	-	900,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	675,000	-	-	-	675,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	675,000	-	-	-	675,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	-	14,350,000	-	-	14,350,000
				2,250,000	14,350,000	-	-	16,600,000
<b>Independent non-executive Directors and three other eligible participants of the Group</b>								
	6 January 2010	6 January 2011 to 5 January 2020	1.18	1,050,000	-	-	-	1,050,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	-	5,250,000	-	-	5,250,000
				1,050,000	5,250,000	-	-	6,300,000
				8,400,000	19,600,000	-	(1,000,000)	27,000,000

# Corporate Governance and Other Information

## **SHARE OPTION SCHEME** *(Continued)*

Note:

1. The closing price of the shares of the Company on 5 January 2010 and 14 May 2010 (the days immediately before the dates of grant) were HK\$1.18 and HK\$1.05 respectively.
2. Mr. YIU Ho Chi has resigned as an executive Director, company secretary and authorized representative of the Company and his last working day was 30 June 2010. Pursuant to the Share Option Scheme of the Company, all options granted to Mr. YIU Ho Chi lapsed on the expiry of 3 months after the date of cessation of employment (i.e. 30 September 2010). For details of the resignation of Mr. YIU Ho Chi, please see the announcement of the Issuer dated 1 July 2010.

## **PUBLIC FLOAT**

As far as the Company is aware, more than 25% of the issued shares of the Company were held in public hands as at 30 September 2010.

# Condensed Consolidated Income Statement

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Turnover</b>	4	336,535	243,910
Cost of goods sold		(273,506)	(201,520)
<b>Gross profit</b>		63,029	42,390
Other income		1,509	459
Selling expenses		(13,108)	(9,519)
Administrative expenses		(35,507)	(22,098)
Other operating expenses		(336)	(39)
<b>Profit from operations</b>		15,587	11,193
Finance costs	5	(861)	(585)
Share-based payments		(5,805)	–
Gain on bargain purchase	16	4,361	–
Gain on disposal of subsidiaries		–	15,989
<b>Profit before tax</b>		13,282	26,597
Income tax expense	6	(4,016)	(2,135)
<b>Profit for the period</b>	7	9,266	24,462
<b>Attributable to:</b>			
Owners of the Company		11,883	24,462
Non-controlling interests		(2,617)	–
		9,266	24,462
<b>Earnings per share</b>	8		
Basic		3.63 cents	8.74 cents
Diluted		N/A	N/A
<b>Dividends</b>	9	–	–

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Profit for the period</b>		9,266	24,462
<b>Other comprehensive income after tax:</b>			
Exchange differences on translating foreign operations		7,970	331
Exchange differences reclassified to profit or loss on disposal of subsidiaries		–	(1,231)
<b>Other comprehensive income for the period, net of tax</b>		7,970	(900)
<b>Total comprehensive income for the period</b>		17,236	23,562
<b>Attributable to:</b>			
Owners of the Company		19,588	23,562
Non-controlling interests		(2,352)	–
		17,236	23,562

# Condensed Consolidated Statement of Financial Position

At 30 September 2010

	Note	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	197,404	135,575
Investment properties		420	420
Club membership		366	366
		198,190	136,361
<b>Current assets</b>			
Inventories		70,810	75,014
Trade and bills receivables	11	168,197	91,973
Prepayments, deposits and other receivables		33,009	10,516
Current tax assets		1,511	1,462
Pledged bank deposits		9,346	25,467
Bank and cash balances		180,319	163,857
		463,192	368,289
<b>Current liabilities</b>			
Trade and bills payables	12	54,825	27,649
Accruals and other payables		55,464	30,727
Dividend payables		28	–
Amount due to non-controlling interests of a subsidiary	13	1,196	–
Short-term bank borrowings		65,294	26,975
Current portion of long-term borrowings		1,770	2,543
Current tax liabilities		3,798	262
		182,375	88,156
<b>Net current assets</b>		280,817	280,133
<b>Total assets less current liabilities</b>		479,007	416,494
<b>Non-current liabilities</b>			
Amount due to non-controlling interests of a subsidiary	13	10,765	–
Long-term borrowings		4,534	708
Deferred tax liabilities		6,169	1,789
		21,468	2,497
<b>NET ASSETS</b>		457,539	413,997
<b>Capital and reserves</b>			
Share capital	14	3,288	3,220
Reserves		435,770	410,777
Equity attributable to owners of the Company		439,058	413,997
Non-controlling interests		18,481	–
<b>TOTAL EQUITY</b>		457,539	413,997

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

(Unaudited)										
Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Share-based payment reserve	Foreign currency translation reserve	Statutory reserve	Retained profits	Total	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009	2,800	83,812	105,309	–	35,311	18,045	102,052	347,329	–	347,329
Total comprehensive income for the period	–	–	–	–	(900)	–	24,462	23,562	–	23,562
Dividend paid	–	–	–	–	–	–	(12,880)	(12,880)	–	(12,880)
Change in equity for the period	–	–	–	–	(900)	–	11,582	10,682	–	10,682
At 30 September 2009	2,800	83,812	105,309	–	34,411	18,045	113,634	358,011	–	358,011
At 1 April 2010	3,220	132,622	105,309	474	40,246	18,126	114,000	413,997	–	413,997
Total comprehensive income for the period	–	–	–	–	7,705	–	11,883	19,588	(2,352)	17,236
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	20,833	20,833
Allotment of shares	68	7,820	–	–	–	–	–	7,888	–	7,888
Share-based payments	–	–	–	5,805	–	–	–	5,805	–	5,805
Dividend paid	–	–	–	–	–	–	(8,220)	(8,220)	–	(8,220)
Change in equity for the period	68	7,820	–	5,805	7,705	–	3,663	25,061	18,481	43,542
At 30 September 2010	3,288	140,442	105,309	6,279	47,951	18,126	117,663	439,058	18,481	457,539

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>		<b>(23,854)</b>	<b>8,105</b>
Purchases of property, plant and equipment		(21,031)	(659)
Proceeds from disposals of property, plant and equipment		5,301	–
Net cash outflow from acquisition of subsidiaries	16	(4,572)	–
Net cash inflow from disposal of subsidiaries		–	12,855
Decrease in pledged bank deposits		16,121	8,207
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>		<b>(4,181)</b>	<b>20,403</b>
Net trust receipts loans raised		32,431	6,324
Bank loans raised		5,888	5,000
Repayment of bank and other loans		(1,773)	(22,592)
Cash advance from non-controlling interests of a subsidiary		11,805	–
Dividends paid		(8,192)	–
Interest paid		(861)	(585)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>39,298</b>	<b>(11,853)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>11,263</b>	<b>16,655</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>5,199</b>	<b>(241)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>163,857</b>	<b>112,461</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>180,319</b>	<b>128,875</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		180,319	128,875

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 1. GENERAL INFORMATION

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

## 2. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the 2010 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2010 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### a. Business Combinations

HKFRS 3 (Revised) "Business Combinations" continues to require acquisition method to be applied to business combinations with some significant changes:

- Contingent consideration is recognised at its acquisition-date fair value and forms part of the cost of acquisition. The previous HKFRS 3 requires that a contingent consideration be recognised if it is probable and can be measured reliably.
- In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate goodwill. The previous HKFRS 3 does not have a requirement for such fair value measurement.
- There is a choice to measure initially the non-controlling interests in a subsidiary either at their acquisition-date fair value or the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date. The previous HKFRS 3 only allows the latter choice.
- If a business combination is accounted for using provisional amounts, the measurement period that the provisional amounts can be adjusted retrospectively is limited to one year from the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The previous HKFRS 3 does not have a time limit for adjustments in relation to contingent considerations and deferred tax assets. Subsequent adjustments to contingent considerations and deferred tax assets will adjust goodwill.
- Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. The previous HKFRS 3 requires that acquisition-related costs form part of the cost of a business combination.

### b. Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

- Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.
- Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.
- When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

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

### c. Classification of Land Leases

Amendments to HKAS 17 “Leases” deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

The Group reclassifies a land lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

Amendments to HKAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Increase in Property, plant and equipment	42,949	27,161
Decrease in Prepaid land lease payments	(42,949)	(27,161)

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 4. TURNOVER AND SEGMENTAL INFORMATION

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

### Segmental information

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

The Group has two reportable segments as follows:

- Corrugated products – manufacture and sale of corrugated board and corrugated paper-based packing products; and
- Offset printed corrugated products – manufacture and sale of offset printed corrugated products.

The accounting policies of the operating segments are the same as those adopted by the Group in preparing the 2010 annual financial statements of the Group. Segment profits or losses do not include gain on disposal of subsidiaries, gain on bargain purchase and corporate income and expenses. Segment assets do not include property, plant and equipment for corporate use, investment properties, club membership, bank balance managed on central basis, current tax assets and corporate assets.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 4. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Information and reconciliations of segment revenue, profit or loss and assets:

For the six months ended 30 September 2010

	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue</b>				
External sales	271,527	65,008	–	336,535
Inter-segment sales	42,224	18,366	(60,590)	–
<b>Total</b>	<b>313,751</b>	<b>83,374</b>	<b>(60,590)</b>	<b>336,535</b>
<b>Segment results</b>	<b>19,364</b>	<b>2,942</b>		<b>22,306</b>
Interest income				2
Gain on bargain purchase				4,361
Corporate expenses				(13,387)
<b>Profit before tax</b>				<b>13,282</b>
	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>At 30 September 2010</b>				
<b>Segment assets</b>	<b>480,597</b>	<b>129,597</b>	<b>51,188</b>	<b>661,382</b>

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 4. TURNOVER AND SEGMENTAL INFORMATION (Continued)

### Information and reconciliations of segment revenue, profit or loss and assets: (Continued)

For the six months ended 30 September 2009

	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue</b>				
External sales	212,395	31,515	–	243,910
Inter-segment sales	29,573	9,143	(38,716)	–
<b>Total</b>	<b>241,968</b>	<b>40,658</b>	<b>(38,716)</b>	<b>243,910</b>
<b>Segment results</b>				
	7,607	3,140		10,747
Interest income				446
Interest expenses				(585)
Gain on disposal of subsidiaries				15,989
<b>Profit before tax</b>				<b>26,597</b>
<b>At 31 March 2010</b>				
<b>Segment assets</b>				
	308,135	127,192	69,323	504,650

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 5. FINANCE COSTS

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest on other loans	426	–
Interest on bank borrowings	435	585
	861	585

## 6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Hong Kong Profits Tax		
Under-provision in previous years	–	442
PRC enterprise income tax (“EIT”)		
Current tax	4,016	1,693
	4,016	2,135

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period (2009: Nil). Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

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

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 6. INCOME TAX EXPENSE (Continued)

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

In 2009, the Inland Revenue Department of Hong Kong (the "IRD") issued several letters to a director of the Company, Mr. Chong Kam Chau, the Company and some of its subsidiaries requesting for certain financial information for the years of assessment from 2002/03 to 2006/07. The Group has already submitted several replies and provided part of the financial information to the IRD. The Group is still preparing and collecting information for the queries of the IRD and waiting for further comment from the IRD. On 15 March 2009, the IRD issued estimated assessments for the year of assessment 2002/03 to two of the subsidiaries of the Group which amounted to HK\$640,000. On 15 March 2010, the IRD issued estimated assessments for the year of assessment 2003/04 to three of the subsidiaries of the Group which amounted to HK\$2,800,000. The Group has made objections to the IRD on both estimated assessments on 9 April 2009 and 23 March 2010 respectively. In the opinion of the directors, as at 30 September 2010, the provision for taxation made in the financial statements of the Group is sufficient and not excessive.

## 7. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest income	(300)	(446)
Auditors' remuneration	239	424
Cost of inventories sold	273,506	201,520
Depreciation	10,712	12,880
Operating lease charges in respect of land and buildings	7,535	5,522
Loss on disposals of property, plant and equipment	304	–
Gain on disposal of subsidiaries	–	(15,989)
Gain on bargain purchase	(4,361)	–
Allowance for inventories (included in cost of inventories sold)	–	712
Allowance for bad and doubtful debts	32	–
Bad debts written off	–	39
Net foreign exchange loss/(gain)	1,638	(2,046)
Staff costs		
Directors' emoluments	2,737	1,550
Other staff salaries, bonus and allowances	32,659	17,947
Retirement benefits scheme contributions (excluding directors)	2,662	910
	38,058	20,407

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 7. PROFIT FOR THE PERIOD (Continued)

Cost of inventories sold includes staff costs, depreciation and operating lease charges totalled approximately HK\$32,896,000 (2009: HK\$27,864,000) which are included in the amounts disclosed separately above.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2010 is based on the profit attributable to owners of the Company of approximately HK\$11,883,000 and the weighted average number of 326,979,235 ordinary shares in issue during the six months ended 30 September 2010.

The calculation of basic earnings per share for the six months ended 30 September 2009 is based on the profit attributable to owners of the Company of approximately HK\$24,462,000 and the weighted average number of 280,000,000 ordinary shares in issue during the six months ended 30 September 2009.

### Weighted average number of ordinary shares

	Number of share for the six months ended 30 September	
	2010	2009
Issued and issuable ordinary shares at beginning of period	322,000,000	280,000,000
Effect of shares issued by allotment	4,979,235	–
Weighted average number of ordinary shares at end of period	326,979,235	280,000,000

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the six months ended 30 September 2010 and 30 September 2009.

## 9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the Group acquired property, plant and equipment of approximately HK\$21,031,000.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 11. TRADE AND BILLS RECEIVABLES

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

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Trade receivables:		
Undue	116,298	75,704
Overdue:		
1 to 30 days	29,166	6,231
31 to 90 days	19,035	8,646
91 to 365 days	3,958	1,813
Over 1 year	4,682	3,544
	173,139	95,938
Less: Allowance for bad and doubtful debts	(5,491)	(3,965)
Trade receivables, net	167,648	91,973
Bills receivables	549	–
	168,197	91,973

## 12. TRADE AND BILLS PAYABLES

Payment terms granted by suppliers are mainly on cash on delivery and on credit. The credit periods ranged from 15 days to 90 days after end of the month in which the relevant purchase occurred.

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

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Trade payables:		
0 to 30 days	45,568	27,022
31 to 90 days	533	306
Over 90 days	364	321
	46,465	27,649
Bills payables	8,360	–
	54,825	27,649

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 13. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
The amount due is repayable as follows:		
Within one year	1,196	–
In the second year	1,196	–
In the third to fifth years, inclusive	3,588	–
After five years	5,981	–
	11,961	–
<i>Less:</i> Amount due for settlement within 12 months (shown under current liabilities)	(1,196)	–
Amount due for settlement after 12 months	10,765	–

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

## 14. SHARE CAPITAL

	Number of shares	Amount HK\$
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 1 April 2009, 31 March 2010 and 30 September 2010	2,000,000,000	20,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 1 April 2009	280,000,000	2,800,000
Issue of shares by placing (a)	42,000,000	420,000
At 31 March 2010 and 1 April 2010	322,000,000	3,220,000
Issue of shares by allotment (b)	6,800,000	68,000
At 30 September 2010	328,800,000	3,288,000

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 14. SHARE CAPITAL (Continued)

Notes:

- (a) On 2 February 2010, the Company and United Simsen Securities Limited entered into a placing agreement in respect of the placement of 42,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$1.20 per share. The placement was completed on 4 March 2010 and 15 March 2010 by two tranche of placing shares. The premium on the issue of shares, amounting to approximately HK\$48,810,000, net of share issue expenses, was credited to the Company's share premium account.
- (b) On 20 May 2010, the Company issued 6,800,000 ordinary shares of HK\$0.01 each to Rising Sun (HK) Industrial Holdings Company Limited as part of the consideration to acquire the 56.05% equity interest in a subsidiary, Fully Chance. The premium on the issue of shares amounting to approximately HK\$7,820,000 was credited to the Company's share premium account. (Note 16)

## 15. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted on 5 February 2009. A summary of the principal terms of the Scheme is set out in the 2010 annual financial statements of the Company.

Details of the specific categories of options are as follows:

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

Notes:

- (a) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.
- (c) The price of the Company's share disclosed as at the date of grant of the share options is the higher of the average Stock Exchange closing price for the five business days immediately preceding the date of grant of the share options or the closing price at the date of grant.

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 15. SHARE-BASED PAYMENTS (Continued)

Details of the share options outstanding as at 30 September 2010 under the Scheme are as follows:

	Number of share options granted to directors	Weighted average exercise price HK\$	Number of share options granted to employees	Weighted average exercise price HK\$	Total number of share options	Weighted average exercise price HK\$
Outstanding at 1 April 2010	5,700,000	1.18	2,700,000	1.18	8,400,000	1.18
Lapsed during the period	(1,000,000)	1.18	–	–	(1,000,000)	1.18
Granted at 17 May 2010	900,000	1.05	18,700,000	1.05	19,600,000	1.05
Outstanding at 30 September 2010	5,600,000	1.16	21,400,000	1.07	27,000,000	1.09
Exercisable at 30 September 2010	–	–	–	–	–	–

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

The aggregate estimated fair value of the options granted during the year ended 31 March 2010 and the six months period ended 30 September 2010 calculated using the Black-Scholes option pricing model was approximately HK\$3,315,000 and HK\$6,285,000 respectively. The inputs into the model were as follows:

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

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

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

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 16. ACQUISITION OF SUBSIDIARIES

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

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

The fair value of the identifiable assets and liabilities of Fully Chance and its subsidiary at the date of acquisition is as follows:

	Note	HK\$'000
Property, plant and equipment		54,059
Inventories		11,604
Trade and bills receivables		7,479
Prepayments, deposits and other receivables		5,757
Bank and cash balances		4,867
Trade and bills payables		(7,840)
Accruals and other payables		(24,380)
Long-term borrowings		(4,733)
Deferred tax liabilities		(4,292)
Non-controlling interests		(20,833)
Net asset acquired		21,688
Gain on bargain purchase		(4,361)
Total consideration		17,327
Satisfied by:		
Cash		9,439
6,800,000 ordinary shares of the Company	14	7,888
Total consideration		17,327
Net cash outflow arising on acquisition:		
Cash consideration paid		9,439
Cash and cash equivalents acquired		(4,867)
		4,572

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 16. ACQUISITION OF SUBSIDIARIES (Continued)

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

The Group recognised a gain on bargain purchase of approximately HK\$4,361,000 in the business combination. The business combination results in a gain on bargain purchase mainly because of the original shareholders' expectation for the future enhancement of Rising Sun's operation effectiveness that will be brought by the Group's expertise in the industry and the good relationship with major suppliers.

Fully Chance contributed approximately HK\$36,549,000 to the Group's turnover and loss of approximately HK\$5,343,000 to the Group's profit for the period between the date of acquisition and the end of the interim reporting period.

If the acquisition had been completed on 1 April 2010, Group's total turnover for the period would have been HK\$343,100,000 approximately, and profit for the year would have been HK\$9,150,000 approximately. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2010, nor is intended to be a projection of future results.

## 17. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period regarding to property, plant and equipment are as follows:

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Capital expenditure contracted but not provided for	45,010	7,393

## 18. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2010 (At 31 March 2010: Nil).

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 19. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Rental in respect of land and buildings paid to a related company owned by Mr. Chong Kam Chau ("Mr. Chong") and Mr. Chong Wa Pan	294	90
Rental in respect of land and buildings paid to a related company owned by Mr. Chong	951	–
Proceeds from disposal of subsidiaries received from a related company owned by Mr. Chong	–	15,333

- (b) **Key management compensation**

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Salaries and allowance	2,713	1,526
Retirement benefits scheme contributions	24	24
	2,737	1,550

## 20. SEASONALITY

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

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

## 21. CORRECTIONS OF PRIOR PERIOD ERROR

We noted an accounting error made in prior period and have made corrections. The accounting error, the corrections made and their impact on the condensed consolidated financial statements for the six months period ended 30 September 2009 are as follows:

### **Gain on disposal of subsidiaries**

In the prior period, the Company omitted to reclassify the exchange differences approximately of HK\$1,231,000 to profit or loss on disposal of Bright Leader Holdings Limited (“Bright Leader”). Since Bright Leader was disposed on 25 September 2009, the Company reclassified the exchange differences to the gain on disposal of subsidiaries and the profit for the six months period ended 30 September 2009 were adjusted upward by approximately HK\$1,231,000. The balances of foreign currency translation reserve and retained profits as at 30 September 2009 were decreased and increased by the equivalent amount respectively.

## 22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 November 2010.