# Come Sure Group (Holdings) Limited
# 錦勝集團(控股)有限公司*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00794)**

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

### GROUP RESULTS

The board of directors (the "Board") of Come Sure Group (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2011 as follows:

### CONSOLIDATED INCOME STATEMENT
*For the year ended 31 March 2011*

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Turnover** | 2 | **697,640** | 478,436 |
| Cost of goods sold | | **(574,156)** | (393,290) |
| **Gross profit** | | **123,484** | 85,146 |
| Other income | | **2,975** | 1,434 |
| Selling expenses | | **(28,928)** | (19,063) |
| Administrative expenses | | **(69,656)** | (54,087) |
| Other operating expenses | | **(352)** | (166) |
| Decrease in fair value of held for trading investments | | **(1,967)** | — |
| Share-based payments | | **(7,928)** | (474) |
| **Profit from operations** | | **17,628** | 12,790 |
| Gain on bargain purchase | 10 | **4,365** | — |
| Gain on disposal of subsidiaries | 11 | **—** | 15,989 |
| Finance costs | 3 | **(2,377)** | (896) |
| **Profit before tax** | | **19,616** | 27,883 |
| Income tax expense | 4 | **(3,613)** | (2,974) |
| **Profit for the year** | 5 | **16,003** | 24,909 |
| **Profit/(loss) for the year attributable to:** | | | |
| Owners of the Company | | **18,352** | 24,909 |
| Non-controlling interests | | **(2,349)** | — |
| | | **16,003** | 24,909 |
| **Earnings per share** | | | |
| Basic and diluted | 7 | **HK5.60 cents** | HK8.81 cents |

* *For identification purposes only*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2011*

| | *Note* | **2011** **HK$'000** | 2010 *HK$'000* |
|---|---|---|---|
| **Profit for the year** | *5* | **16,003** | 24,909 |
| **Other comprehensive income/(expense) after tax:** | | | |
| Exchange differences on translating foreign operations | | **11,654** | 6,166 |
| Exchange differences reclassified to profit or loss on disposal of subsidiaries | *11* | **—** | (1,231) |
| **Other comprehensive income for the year, net of tax** | | **11,654** | 4,935 |
| **Total comprehensive income** | | **27,657** | 29,844 |
| **Total comprehensive income/(expense) for the year attributable to:** | | | |
| Owners of the Company | | **29,602** | 29,844 |
| Non-controlling interests | | **(1,945)** | — |
| | | **27,657** | 29,844 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 31 March 2011*

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**
*At 31 March 2011*

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

**NOTES**

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

**HKFRS 3 (revised) Business Combinations**

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

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

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

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

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

**Amendments to HKAS 17 "Leases"**

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

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

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

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

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

As a result, bank loans that contain a repayment on demand clause with aggregate carrying amounts of HK$3,251,000 and HK$708,000 have been reclassified from non-current liabilities to current liabilities as at 1 April 2009 and 31 March 2010, respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$6,744,000 have been classified as current liabilities. The application of HK-Int 5 has had no impact on the reported net assets and profit or loss for the current or prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

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

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

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

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

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

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

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

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

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

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

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

## 2. TURNOVER AND SEGMENTAL INFORMATION

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

**Segmental information**

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

The Group has two reportable segments as follows:

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

**Segment revenues and results**

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

**For the year ended 31 March 2011**

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

For the year ended 31 March 2010

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

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

Inter-segment sales are charged at prevailing market rates.

**Segment assets and liabilities**

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

**At 31 March 2011**

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

**Segment assets and liabilities (continued)**

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

At 31 March 2010

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

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

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

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

The segment information is as follows:

**Other segment information:**

**2011**

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

2010

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

**Geographical information:**

The Group's operations are located in the People's Republic of China (the "PRC"), Hong Kong and Macau.

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

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

**Information about major customers**

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

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

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

## 3. FINANCE COSTS

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

## 4. INCOME TAX EXPENSE

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

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

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

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

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

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

The Inland Revenue Department of Hong Kong (the "IRD") issued several letters to a director of the Company, Mr. CHONG Kam Chau, the Company and some of its subsidiaries requesting for certain financial information for the years of assessment from 2002/2003 to 2006/07. The Group has already submitted several replies and provided part of the information to the IRD. The Group is still waiting for further comment from the IRD.

On 16 March 2009, the IRD issued estimated assessments for the year of assessment 2002/03 to two of the subsidiaries of the Group which amounted to HK$640,000. On 15 March 2010, the IRD issued estimated assessments for the year of assessment 2003/04 to three of the subsidiaries of the Group which amounted to HK$2,800,000. On 8 February 2011, the IRD issued estimated assessments for the year of assessment of 2004/05 to five of the subsidiaries of the Group which amounted to HK$6,300,000. The Group has made objections to the IRD on those estimated assessments on 9 April 2009, 23 March 2010 and 7 March 2011 respectively. In the opinion of the directors, as at 31 March 2011, the provision for taxation made in the consolidated financial statements is sufficient and not excessive. Subsequent to the year ended 31 March 2011, the Group has purchased tax reserve certificates amounting to HK$3,500,000.

## 5. PROFIT FOR THE YEAR

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

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

*Note:*

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

## 6. DIVIDENDS

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

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

## 7. EARNINGS PER SHARE

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

**Earnings**

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

**Number of shares**

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

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

## 8. TRADE RECEIVABLES

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables: | | |
| Net yet due for settlement | **102,439** | 75,704 |
| Overdue: | | |
| 1 to 30 days | **33,778** | 6,231 |
| 31 to 90 days | **21,217** | 8,646 |
| 91 to 365 days | **4,815** | 1,813 |
| Over 1 year | **6,651** | 3,544 |
| | **168,900** | 95,938 |
| Less: Allowance for bad and doubtful debts | **(5,619)** | (3,965) |
| | **163,281** | 91,973 |

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

Ageing of trade receivables which are past due but not impaired

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Overdue by: | | |
| 1 to 90 days | **54,995** | 14,877 |
| 91 to 365 days | **4,443** | 1,392 |
| Over 1 year but within 2 years | **1,404** | — |
| Total | **60,892** | 16,269 |

Movement in the allowance for bad and doubtful debts:

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

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

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

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

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

## 9. TRADE AND BILLS PAYABLES

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

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

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

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

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

## 10. ACQUISITION OF SUBSIDIARIES

On 28 April 2010 ("date of acquisition"), the Group 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 the manufacturing and processing of paper boards, paper boxes and high-class packaging paper in the PRC.

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

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

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

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

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

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

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

## 11. DISPOSAL OF SUBSIDIARIES

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

Net assets at the date of disposal were as follows:

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In light of the European sovereign debt crisis and the fiscal policy of the United States of America (the "U.S.") creating uncertainties to the global economic recovery, the economy of the People's Republic of China (the "PRC") continues to maintain a strong growth allowing the improvement of purchasing power of the people and hence the increase demand of packaging products.

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

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

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

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

**Result of operation**

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

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

**Revenue**

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

**Shenzhen operation**

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

**Jiangxi operation**

The operation in Jiangxi contributed approximately HK$82.1 million sales revenue to the Group from the date of acquisition to the year ended date 31 March 2011. However, its potential has not been fully reflected; with the Group actively participating in the sales management, the performance subsequent to the year ended are encouraging, the average sales revenue lifted up by more than 20.0% for the first two months as compared to the average sales revenue during the period from the date of acquisition to the year end date of 31 March 2011, and the Group believes that the Jiangxi operation would better utilize its production capacity and be able to capture the large potential market nearby the Jiangxi area in the coming years.

**Gross profit**

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

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

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

**Shenzhen operation**

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

**Jiangxi operation**

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

**Selling and Administrative expenses**

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

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

**Other Operating Expenses**

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

## Finance Cost

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

## Net Profit and Dividend

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

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

## Working Capital

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

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

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

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

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

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

**Liquidity and Financial Resource**

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

* *The current ratio as of 31 March 2010 had been restated due to the change of accounting policies. Please refer to the Notes to the consolidated financial statement contained in the Company's annual report for the year ended 31 March 2011 ("Annual Report") for details.*

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

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

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

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

**Foreign Exchange Risk**

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

### Charge of Assets

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

### Capital Commitment and Contingent Liabilities

As at 31 March 2011, the Group's capital expenditure contracted but not provided for regarding property, plant and equipment was approximately HK$41.6 million (2010: approximately HK$7.4 million).

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

### Significant Investment Held and Material Acquisition and Disposal

Speedy Concept Development Limited ("Speedy Concept"), a wholly-owned subsidiary of the Company, Rising Sun (HK) Industrial Holdings Company Limited (the "Rising Sun (HK)"), a limited company incorporated in Hong Kong and 10 shareholders of Rising Sun (HK) in aggregate holding 75% of the entire issued share capital of Rising Sun (HK) had entered into the sale and purchase agreement (the "Sale and Purchase Agreement") on 20 April 2010, pursuant to which Speedy Concept had conditionally agreed to acquire and Rising Sun (HK) had conditionally agreed to sell 56.05% of the entire issued share capital of Fully Chance 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 Paper (Jiangxi) Company Limited ("the Rising Sun"), a sino-foreign joint venture enterprise established in the PRC. Rising Sun is principally engaged in the manufacturing and processing of paper boards, paper boxes and high-class packaging paper. For details of the acquisition, please refer to the announcement of the Company dated 20 April 2010. The Consideration Shares had been issued on 20 May 2010.

### Formation of a Joint Venture Company

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

**Employees and Remuneration**

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

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

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

**Prospects**

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

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

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

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

During the year ended 31 March 2011, save as disclosed below, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities.

On 20 May 2010, the Company issued 6,800,000 ordinary shares as part of the consideration to acquire the 56.05% equity interest in Fully Chance. For details, please refer to the section headed "Significant Investment Held and Material Acquisition and Disposal" above.

## CORPORATE GOVERNANCE

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

The Company has complied with most of the code provisions set out in the Appendix 14 — Code on Corporate Governance Practices (the "**Code**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year ended 31 March 2011, 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 ensuring the Board runs effectively, while the Managing Director is responsible for the overall management of the Group and the implementation of the corporate goals and objectives resolved by the Board.

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

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

## AUDIT COMMITTEE

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

The Audit Committee has reviewed with management and the external auditors this result announcement and the audited consolidated financial statement of the Group for the year ended 31 March 2011, the accounting principals and practices adopted and discussed auditing, internal controls and financial reporting matters.

## DIVIDENDS

The Board proposed the payment of a final dividend of HK1.9 cents per share for the year ended 31 March 2011, amounting to approximately HK$6.2 million in total. The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 30 August 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 25 August 2011 to Tuesday, 30 August 2011 and no transfer of shares will be effected on such date. In order to qualify for the proposed final dividend, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4.00 p.m. on 24 August 2011. It is expected that the final dividend will be paid on or around Wednesday, 14 September 2011.

## CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled on Tuesday, 23 August 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 19 August 2011 to Tuesday, 23 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4.00 p.m. on 18 August 2011.

## PUBLIC FLOAT

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

## PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2011 have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2011. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 10:30 a.m. on Tuesday, 23 August 2011 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong. Notice of annual general meeting will be published on the Company's website at www.comesure.com and the Stock Exchange's website at www.hkexnews.hk and despatched to the shareholders of the Company on or before 22 July 2011.

## PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be despatched to Company's shareholders and published on the Company's and Stock Exchange's websites in due course.

By Order of the Board
**Come Sure Group (Holdings) Limited**
**CHONG Kam Chau**
*Chairman*

Hong Kong, 28 June 2011

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. CHONG Kam Chau, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam; and three independent non-executive directors, namely Mr. CHAU On Ta Yuen, Ms. TSUI Pui Man and Mr. LAW Tze Lun.*