1. CORPORATE INFORMATION

The registered office of Hung Hing Printing Group Limited is located at Hung Hing Printing Centre, 17–19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

- printing and manufacturing of paper and carton boxes
- trading of paper
- manufacturing of corrugated cartons

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 30 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The adoption of the revised SSAP 11 has had no effect on the financial statements as the Group uses the temporal method to translate the financial statements of overseas subsidiaries and associates as detailed in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year adjustment that have resulted from them are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 and in note 29 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain long term investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill, to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 goodwill accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is provided so as to write off the cost of each asset over its estimated useful life. The principal annual rates and bases used are as follows:

Leasehold land	Over the lease terms
Buildings situated in Hong Kong	Over the lease terms
Buildings situated in Mainland China	2.5–5% on the straight-line basis
Plant and machinery	10–20% on the reducing balance basis
Motor vehicles	30% on the reducing balance basis
Furniture, fixtures and equipment	20–30% on the reducing balance basis

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. All land use rights, which are situated in Mainland China, are valid for 30 to 50 years, and are amortised on the straight-line basis over the remaining lives of the rights commencing after the completion of the construction of the building erected thereon.

Properties under construction

Properties under construction represent buildings under construction, on sites in Mainland China whose land use rights have been acquired by the Group, which is stated at cost less any impairment losses and is not depreciated. Cost comprises the direct costs of construction. The properties under construction are reclassified to the appropriate category of fixed assets when completed and ready for use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long term investments

Securities which are intended to be held on a continuing strategic or long term purpose are classified as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Securities which are not classified as investment securities are classified as other investments. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual basis. Unlisted securities are stated at their estimated fair values on an individual basis. The gains and losses arising from changes in fair value of such security are credited or charged to the profit and loss account for the period in which they arise.

Inventories

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

Accounts receivable

Accounts receivable, which generally have credit terms between 30 to 90 days, are recognised and carried at original invoice amount less any amounts deemed uncollectible by the directors. A provision for doubtful debts is estimated when collection of debts is deemed no longer probable. Bad debts and provisions for doubtful debts are charged to the profit and loss account as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective rate of interest applicable; and

(c) dividends, when the shareholders' right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Staff retirement schemes

The Group operates a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") commencing 1 December 2000 under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 were only eligible to join the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Staff retirement schemes (continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and associates registered in Mainland China, stated in Renminbi, are translated into Hong Kong dollars using the temporal method. Most of the products of these subsidiaries are provided for export to Hong Kong, and the currency in which the majority of the trading transactions is denominated, is Hong Kong dollars. Accordingly, these subsidiaries are dependent directly upon the economic circumstances of the holding company's reporting currency, which is the Hong Kong dollar.

Under the temporal method, all assets, liabilities, revenues and expenses are translated at the applicable exchange rates ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities are re-translated at the closing rate and any resulting exchange difference is taken to the profit and loss account.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to short term bank loans and trust receipt loans, further details of which are included in note 29 to the financial statements.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the paper and carton box printing and manufacturing segment;

(b) the paper trading segment;

4. **SEGMENT INFORMATION (continued)**

(c) the corrugated carton manufacturing segment; and

(d) the "others" segment, which principally comprises the Group's investment in associates.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit and expenditure information for the Group's business segments.

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Others		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**1,112,078**	1,033,394	**267,608**	230,090	**438,647**	365,072	**—**	—	**—**	—	**1,818,333**	1,628,556
Intersegment sales	**1,777**	2,192	**410,885**	320,767	**71,011**	82,329	**—**	—	**(483,673)**	(405,288)	**—**	—
Total	**1,113,855**	1,035,586	**678,493**	550,857	**509,658**	447,401	**—**	—	**(483,673)**	(405,288)	**1,818,333**	1,628,556
Segment results	**239,099**	226,156	**34,964**	23,428	**41,063**	56,562	**—**	—	**286**	301	**315,412**	306,447
Interest and dividend income											**9,693**	14,180
Corporate and unallocated expenses											**(19,686)**	(17,318)
Profit from operating activities											**305,419**	303,309
Finance costs											**(6,119)**	(7,083)
Share of profits and losses of associates	**—**	—	**—**	—	**—**	—	**9,736**	5,346	**—**	—	**9,736**	5,346
Profit before tax											**309,036**	301,572
Tax											**(43,250)**	(24,079)
Profit before minority interests											**265,786**	277,493
Minority interests											**(21,260)**	(20,855)
Net profit attributable to shareholders											**244,526**	256,638

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

The following tables present certain asset and liability information for the Group's business segments.

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Others		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**903,334**	858,753	**299,670**	176,922	**549,670**	451,527	**—**	—	**(104,348)**	—	**1,648,326**	1,487,202
Interests in associates	**—**	—	**—**	—	**—**	—	**180,570**	157,031	**—**	—	**180,570**	157,031
Unallocated assets	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**328,426**	356,675
Total assets	**903,334**	858,753	**299,670**	176,922	**549,670**	451,527	**180,570**	157,031	**(104,348)**	—	**2,157,322**	2,000,908
Segment liabilities	**145,038**	82,279	**18,493**	11,333	**80,915**	24,500	**—**	—	**(104,348)**	—	**140,098**	118,112
Unallocated liabilities	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**220,302**	181,090
Total liabilities	**145,038**	82,279	**18,493**	11,333	**80,915**	24,500	**—**	—	**(104,348)**	—	**360,400**	299,202
Other segment information:												
Depreciation and amortisation	**44,836**	44,999	**282**	345	**19,406**	11,572	**361**	454	**—**	—	**64,885**	57,370
Capital expenditure	**29,410**	48,380	**19,436**	87	**28,609**	81,955	**170**	396	**—**	—	**77,625**	130,818

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		United States of America		Others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**1,021,901**	1,012,776	**374,175**	255,705	**229,035**	203,954	**193,222**	156,121	**1,818,333**	1,628,556
Other segment information:										
Segment assets	**730,508**	721,389	**1,335,180**	1,187,341	**42,659**	47,235	**48,975**	44,943	**2,157,322**	2,000,908
Capital expenditure	**2,046**	1,989	**75,579**	128,829	**—**	—	**—**	—	**77,625**	130,818

5. TURNOVER, REVENUE AND GAINS

Turnover represents invoiced sales, net of allowances for returns and trade discounts.

An analysis of the Group's turnover, other revenue and gains is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Turnover — sale of goods	**1,818,333**	1,628,556
Other revenue and gains:		
Dividend income from listed equity investments	**258**	258
Interest income	**9,435**	13,922
Gain on disposal of fixed assets	**—**	101
Sundry income	**6,733**	6,342
	16,426	20,623
Total revenue	**1,834,759**	1,649,179

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Group	
	2003	2002
	HK$'000	HK$'000
Depreciation	**64,885**	57,370
Auditors' remuneration	**1,466**	1,470
Staff costs (including directors' remuneration — note 7):		
Wages, salaries and other allowances	**249,924**	230,590
Retirement scheme contributions	**2,914**	2,966
Less: Forfeited contributions*	**(534)**	(332)
Net retirement scheme contributions	**2,380**	2,634
Total staff costs	**252,304**	233,224
Minimum lease payments under operating leases in respect of land and buildings	**5,229**	4,543
Provision for bad and doubtful debts	**4,410**	9,007
Loss on disposal of fixed assets	**911**	—
Impairment of an unlisted investment	**7**	107
Unrealised losses on listed equity investments	**—**	97

* At 31 March 2003, the Group had no forfeited contributions available to reduce its contributions to the retirement scheme in future years (2002: Nil).

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	2003	2002
	HK$'000	HK$'000
Fees:		
Executive directors	**—**	—
Non-executive directors*	**281**	357
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**14,311**	14,264
Retirement scheme contributions	**513**	515
Discretionary bonuses paid and payable	**13,661**	14,421
	28,766	29,557

* Fees include HK$190,000 (2002: HK$190,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2002: Nil).

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**5**	7
HK$3,500,001 – HK$4,000,000	**1**	1
HK$5,500,001 – HK$6,000,000	**1**	1
HK$7,500,001 – HK$8,000,000	**1**	1
HK$11,000,001 – HK$11,500,000	**1**	—
HK$11,500,001 – HK$12,000,000	**—**	1
	9	11

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2002: four) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining one (2002: one) non-director, highest paid employee are set out below:

	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,140**	1,140
Retirement scheme contributions	**46**	46
Discretionary bonuses paid and payable	**1,819**	1,894
	3,005	3,080

The remuneration of the non-director, highest paid employee fell within the following band:

	Number of employees	
	2003	2002
HK$3,000,001 – HK$3,500,000	**1**	1

9. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest on:		
Bank loans	**6,119**	7,033
Finance leases	**—**	50
Total finance costs	**6,119**	7,083

10. TAX

Provision for Hong Kong profits tax has been made at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the countries in which the Group and the associates operate, based on existing legislation, interpretations and practices in respect thereof.

	2003	2002
	HK$'000	HK$'000
The Group:		
Hong Kong		
— Provision for the year	**(12,017)**	(28,997)
— Underprovision in prior years*	**(8,143)**	—
Mainland China		
— Provision for the year	**(21,708)**	(13,788)
— Overprovision in prior years	**—**	7,938
Deferred tax (note 26)	**(90)**	9,775
	(41,958)	(25,072)
Associates:		
Mainland China	**(1,292)**	993
Tax charge for the year	**(43,250)**	(24,079)

* Details of the underprovision of Hong Kong profits tax in prior years were set out in note 31(a) to the financial statements.

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company is HK$127,070,000 (2002: HK$281,146,000).

12. DIVIDENDS

	2003	2002
	HK$'000	HK$'000
Interim dividend of HK9.5 cents (2002: HK9.5 cents) per ordinary share	**54,341**	54,341
Proposed final dividend of HK19.0 cents (2002: HK19.0 cents) per ordinary share	**108,681**	108,681
	163,022	163,022

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$244,526,000 (2002: HK$256,638,000) and the weighted average of 572,006,798 (2002: 572,616,608) shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share amounts for the years ended 31 March 2003 and 2002 have not been presented as there were no dilutive potential ordinary shares in existence during these years.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	**Plant and machinery** HK$'000	**Motor vehicles** HK$'000	**Furniture, fixtures and equipment** HK$'000	**Total** HK$'000
Cost:					
At beginning of year	354,282	769,387	26,093	56,342	1,206,104
Additions	36,517	36,786	2,160	2,162	77,625
Transfer from properties under construction (note 16)	9,597	4,196	—	2,113	15,906
Disposals	(830)	(24,560)	(1,430)	(2,010)	(28,830)
At 31 March 2003	399,566	785,809	26,823	58,607	1,270,805
Accumulated depreciation:					
At beginning of year	49,815	305,409	17,256	29,027	401,507
Provided during the year	9,625	48,921	2,390	3,949	64,885
Disposals	(185)	(23,595)	(1,062)	(1,611)	(26,453)
At 31 March 2003	59,255	330,735	18,584	31,365	439,939
Net book value:					
At 31 March 2003	340,311	455,074	8,239	27,242	830,866
At 31 March 2002	304,467	463,978	8,837	27,315	804,597

Certain leasehold land and buildings of the Group's subsidiaries with a total net book value of HK$56,209,000 (2002: HK$56,530,000) have been pledged to a bank to secure a short term bank loan (note 25).

14. FIXED ASSETS (continued)

An analysis of the cost of the Group's leasehold land and buildings at the balance sheet date is as follows:

	2003	2002
	HK$'000	HK$'000
Hong Kong — medium term leases	**106,824**	107,323
Mainland China, under land use rights valid for:		
50 years from 28 May 1992	**75,646**	75,646
30 years from 17 December 1996	**85,596**	74,934
50 years from 24 March 1997	**98,218**	96,379
50 years from 30 March 2002	**13,855**	—
50 years from 2 December 2002*	**19,427**	—
	399,566	354,282

* During the year, the Group acquired from independent third parties a land plot situated in Mainland China for a total consideration of HK$19,427,000 which had been fully settled by the Group as at 31 March 2003. The relevant process for accomplishing the Group's titles and interests in the land was still in progress as at 31 March 2003.

14. FIXED ASSETS (continued)

Company

	Leasehold land and buildings HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:				
At beginning of year	14,981	4,554	791	20,326
Additions	—	170	—	170
Disposals	—	(20)	—	(20)
At 31 March 2003	14,981	4,704	791	20,476
Accumulated depreciation:				
At beginning of year	1,189	3,574	605	5,368
Provided during the year	559	319	43	921
Disposals	—	(15)	—	(15)
At 31 March 2003	1,748	3,878	648	6,274
Net book value:				
At 31 March 2003	13,233	826	143	14,202
At 31 March 2002	13,792	980	186	14,958

The Company's leasehold land and buildings are situated in Mainland China under land use rights valid for 30 years from 17 December 1996.

15. LONG TERM INVESTMENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at fair value	**86**	93	**—**	—
Club debentures, at fair value	**1,362**	1,362	**802**	802
	1,448	1,455	**802**	802
Hong Kong listed equity investments, at market value	**4,218**	4,218	**—**	—
	5,666	5,673	**802**	802

16. PROPERTIES UNDER CONSTRUCTION

	Group	
	2003	2002
	HK$'000	HK$'000
At beginning of year	**15,204**	30,945
Additions	**47,101**	21,391
Transfer to fixed assets (note 14)	**(15,906)**	(37,132)
At 31 March	**46,399**	15,204

The properties under construction are located in Mainland China.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**156,595**	51,651
Due from subsidiaries	**318,037**	313,118
Due to subsidiaries	**(125,232)**	(313)
	349,400	364,456
Less: Provision against amount due from a subsidiary	**(1,353)**	—
	348,047	364,456

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK$100	100	—	Paper products and carton box trading
Sun Hing Paper Company, Limited	Hong Kong	HK$100	100	—	Paper trading
Tai Hing Paper Products Company, Limited	Hong Kong	HK$100	100	—	Trading of corrugated cartons
Piguet Graphic & Prints Company Limited	Hong Kong	HK$1,000,000	100	—	Provision of colour separation services
Hung Hing Printing (Shenzhen) Company Limited*	Mainland China	HK$80,000,000	—	100	Production and colour printing of paper products
Zhongshan Hung Hing Printing & Packaging Company Limited*	Mainland China	US$15,000,000	—	56	Printing and manufacturing of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited*	Mainland China	US$5,000,000	—	56	Production and colour printing of paper products
Hung Hing International Limited	British Virgin Islands	US$100	100	—	Investment holding
South Gain Enterprises Limited	Hong Kong	HK$10,000	—	56	Selling and purchasing agent

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Po Hing Packaging (Shenzhen) Company Limited*	Mainland China	US$11,200,000	100	—	Printing and manufacturing of paper cartons
South Gain Paper Products Company Limited*	Mainland China	US$5,000,000	—	56	Not yet commenced operations
Sun Hing Paper (Shenzhen) Company Limited*	Mainland China	HK$30,000,000	—	100	Not yet commenced operations
Hung Hing Packaging (Wuxi) Company Limited#	Mainland China	US$12,000,000	100	—	Not yet commenced operations

The operations of the above subsidiaries are principally carried out in their respective place of incorporation or registration, except for Hung Hing International Limited, which operates in Mainland China.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* The financial statements of these subsidiaries for the year ended 31 December 2002 have been audited by Ernst & Young. The results of these subsidiaries have been consolidated into the Group's financial statements for the year ended 31 March 2003 based on the audited financial statements for the year ended 31 December 2002 and their unaudited management accounts for the three months ended 31 March 2003.

\# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms or Nexia Charles Mar Fan & Co..

18. INTERESTS IN ASSOCIATES

	Group 2003 HK$'000	Group 2002 HK$'000	Company 2003 HK$'000	Company 2002 HK$'000
Unlisted shares, at cost	—	—	**118,213**	118,213
Share of net assets other than goodwill	**137,022**	136,586	—	—
	137,022	136,586	**118,213**	118,213

The details of the Group's trade receivable and payable balances with an associate are disclosed in note 19 to the financial statements.

Particulars of the associates are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group 2003	2002	Principal activity
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Corporate	Mainland China	35	35	Manufacturing of paper
Zhongshan Ren Hing Paper Manufacturing Company Limited	Corporate	Mainland China	35	35	Manufacturing of paper

The financial statements of the associates have a financial year ending 31 December. The consolidated financial statements are adjusted for material transactions between these associates and Group companies between 1 January and 31 March.

19. DUE FROM/TO AN ASSOCIATE

The Group's amount due from an associate is unsecured, bears interest at prime rate for balances due over one month (2002: prime rate for balances due over three months) and has no fixed terms of repayment.

The Company's amount due to an associate is unsecured, interest-free and has no fixed terms of repayment.

20. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**250,275**	237,050
Work in progress	**29,242**	18,575
Finished goods	**29,938**	14,964
	309,455	270,589

As at 31 March 2003, there were no inventories stated at net realisable value (2002: Nil).

21. ACCOUNTS RECEIVABLE

An aged analysis of accounts receivable at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within 30 days	**148,999**	124,085
Between 31 and 60 days	**107,494**	92,852
Between 61 and 90 days	**57,986**	55,362
Over 90 days	**71,851**	54,053
	386,330	326,352

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 to 90 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**69,016**	66,848	**716**	370
Time deposits	**315,809**	331,759	**315,805**	331,759
	384,825	398,607	**316,521**	332,129

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$50,497,000 (2002: HK$52,841,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within 30 days	**42,745**	30,947
Between 31 and 60 days	**18,917**	8,748
Between 61 and 90 days	**2,595**	484
Over 90 days	**2,310**	630
	66,567	40,809

24. INTEREST-BEARING BANK BORROWINGS

	Group	
	2003	2002
	HK$'000	HK$'000
Trust receipt loans	**31,106**	20,411
Current portion of bank loans (note 25)	**63,509**	48,509
	94,615	68,920

25. INTEREST-BEARING BANK LOANS

	Group	
	2003	2002
	HK$'000	HK$'000
Bank loans:		
Secured	**4,717**	4,717
Unsecured	**148,792**	128,792
	153,509	133,509
Short term bank loans	**43,509**	43,509
Long term bank loans repayable:		
Within one year	**20,000**	5,000
In the second year	**20,000**	30,000
In the third to fifth years, inclusive	**70,000**	55,000
	110,000	90,000
	153,509	133,509
Portion classified as current liabilities (note 24)	**(63,509)**	(48,509)
Long term portion	**90,000**	85,000

As at 31 March 2003, short term bank loans of HK$4,717,000 (2002: HK$4,717,000) are secured by pledge of leasehold land and buildings of the Group's subsidiaries (note 14).

26. DEFERRED TAX

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at beginning of year	**953**	10,728	**121**	121
Provided/(released) during the year (note 10)	**90**	(9,775)	**—**	—
At 31 March	**1,043**	953	**121**	121

The principal components of the Group's and the Company's provision for deferred tax liabilities and the amounts not provided for are as follows:

	Provided		Not provided	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Accelerated depreciation allowances	**1,216**	969	**6,913**	5,570
Others	**(173)**	(16)	**(2,842)**	—
	1,043	953	**4,071**	5,570
Company				
Accelerated depreciation allowances	**121**	121	**—**	—

The provision for deferred tax is made in respect of accelerated depreciation allowances to the extent that a liability is expected to crystallise in the foreseeable future.

27. SHARE CAPITAL

	2003 Number of shares	2002 Number of shares	**2003 HK$'000**	2002 HK$'000
Authorised ordinary shares of HK$0.10 each	**800,000,000**	800,000,000	**80,000**	80,000
Issued and fully paid ordinary shares of HK$0.10 each	**572,006,798**	572,006,798	**57,200**	57,200

In the prior year, the Company repurchased a total of its 1,788,000 shares on the Stock Exchange, all of which have been cancelled, at a total consideration of HK$5,082,000. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration in respect of the repurchases of shares was paid out of the retained profits of the Company.

A summary of the transactions in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	**Issued share capital** HK$'000
At 1 April 2001	573,794,798	57,379
Repurchases of shares	(1,788,000)	(179)
At 31 March 2002 and 2003	572,006,798	57,200

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

The Group's legal reserves are statutory reserves for foreign investment enterprises operating in Mainland China. The transfers to these reserves are determined by the board of directors of the relevant subsidiaries and the use thereof is governed by the relevant laws and regulations of Mainland China.

The amounts of goodwill and negative goodwill remaining in the Group's capital reserve, arising from the acquisition of subsidiaries, are HK$814,000 and HK$105,103,000, respectively, as at 1 April 2002 and 31 March 2003.

(b) Company

	Notes	**Share premium account** HK$'000	**Capital redemption reserve** HK$'000	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000
Balance at 1 April 2001		590,690	787	(42,521)	548,956
Repurchases of shares	*27*	—	179	(179)	—
Premium paid in respect of repurchases of shares	*27*	—	—	(4,903)	(4,903)
Net profit attributable to shareholders		—	—	281,146	281,146
Interim 2002 dividend	*12*	—	—	(54,341)	(54,341)
Proposed final 2002 dividend	*12*	—	—	(108,681)	(108,681)
At 31 March 2002 and 1 April 2002		590,690	966	70,521	662,177
Net profit attributable to shareholders		—	—	127,070	127,070
Interim 2003 dividend	*12*	—	—	(54,341)	(54,341)
Proposed final 2003 dividend	*12*	—	—	(108,681)	(108,681)
At 31 March 2003		590,690	966	34,569	626,225

29. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities, interest and dividends received are now included in cash flows from investing activities, and interest and dividends paid are now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 3 to the financial statements. This has resulted in short term bank loans and trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove short term bank loan and trust receipt loans amounting to HK$4,698,000 and HK$20,411,000, respectively, previously included at that date. This year's movement in short term bank loans and trust receipt loans is now included in cash flows from financing activities and cash flows from operating activities, respectively, and the comparative cash flow statement has been changed accordingly.

30. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

		Group	
		2003	2002
	Notes	**HK$'000**	HK$'000
Sales to an associate	*(i)*	**141,866**	130,002
Purchases from an associate	*(i)*	**42,308**	46,871
Rentals paid to Perla City Investments Limited, a company beneficially owned by Mr. Yum Chak Ming, Matthew	*(ii)*	**600**	600
Rentals paid to Gaintek Holdings Limited, a company beneficially owned by Mr. Yam Hon Ming, Tommy	*(ii)*	**840**	840
Interest income received from an associate	*(iii)*	**1,346**	2,056

Notes:

(i) The sales to the associate were carried out in the ordinary course of business of the Group according to the prices and conditions offered to regular customers of the Group, and the purchases from the associate were carried out in the ordinary course of business of the Group according to the prices and conditions similar to those offered to regular customers of the suppliers.

(ii) The rentals paid to Perla City Investments Limited and Gaintek Holdings Limited were in connection with the housing benefits provided to Messrs. Yum Chak Ming, Matthew and Yam Hon Ming, Tommy, directors of the Company, and were based on estimated open market rentals and have been included in the directors' remuneration as detailed in note 7 to the financial statements.

(iii) The interest income from the associate arose from the amount due from the associate, arising in the ordinary course of business of the Group, further details including the terms of which are disclosed in note 19 to the financial statements.

31. CONTINGENT LIABILITIES

(a) The tax assessments for the year 1996/1997 to 2001/2002 in respect of certain subsidiaries of the Group are currently under review by the Hong Kong Inland Revenue Department (the "IRD"). Based on the information available up to the date of approval of these financial statements, the Company's directors consider that adequate provision has been made in the current year's financial statements as set out in note 10 to the financial statements. Moreover, the IRD may impose additional assessments upon completion of the review. The directors are of the opinion that the additional assessments, if any, cannot be reliably ascertained at this stage and will not be significant to the Group's financial statements. Accordingly, no provision for any additional tax assessments was made at the balance sheet date.

(b) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		**Company**	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries	—	—	**639,554**	654,554
Amount of banking facilities with the Company's guarantees utilised by subsidiaries	—	—	**166,243**	145,025

32. OPERATING LEASE ARRANGEMENTS

At 31 March 2003, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,240**	4,821	**480**	1,524
In the second to fifth years, inclusive	**6,182**	5,632	**480**	165
After five years	**52,199**	63,857	**—**	—
	60,621	74,310	**960**	1,689

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the balance sheet date:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for:				
Land and buildings	**31,092**	21,699	**—**	—
Plant and machinery	**73,195**	10,631	**—**	—
Investments in subsidiaries in Mainland China	**—**	—	**62,366**	147,490
	104,287	32,330	**62,966**	147,490

34. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 July 2003.