HUNG HING

09

ANNUAL REPORT 年報

HUNG HING PRINTING GROUP LIMITED

鴻 興 印 刷 集 團 有 限 公 司

(Stock Code 股份代號:0450)

Content

Corporate Profile

Founded in 1950 as a small printing shop in Hong Kong, Hung Hing Printing Group Limited has, over the course of half a century, built an integrated and technologically-advanced operation in the printing and manufacturing of paper and carton boxes, manufacturing of corrugated cartons, trading of paper, and manufacturing of paper.

Headquartered at the Tai Po Industrial Estate in Hong Kong, Hung Hing also has one plant in Fuyong (Shenzhen, China), two plants in Zhongshan, China and one plant in Wuxi (near Shanghai, China) and a new plant in Heshan, China. Production has resumed in Hong Kong. Total production floor space reaches 5.7 million square feet, with a workforce of over 13,000 in Hong Kong and China.

The Group places strong emphasis on providing reliable and value-added services. These qualities have won the Group many customers, including brand name manufacturers of toys and consumer goods from Australia, Europe and the U.S.A., as well as Chinese and Hong Kong companies.

Hung Hing's financial objective is to deliver consistent and superior returns to shareholders from a leading position in its industry. The strategy to achieve this involves long-term investments in fixed and human assets, and an unwavering focus on quality, efficiency and customer service.

Corporate Information

Honorary Chairman
Yam Cheong Hung

Chairman
Peter Martin Springford, Non-Executive Director

Executive Directors
Yum Chak Ming, Matthew, Managing Director
Yam Ho Ming, Michael
Sung Chee Keung

Non-Executive Directors
Ho Chi Kit
Lam Tsz-Wang, Alvin
David Murray Lonie

Independent Non-Executive Directors
Yip Yu Bun, MH
Yap, Alfred Donald
Luk Koon Hoo

Advisers
Chu Shu Ho, David, JP
Leung Pak To

Company Secretary
Tung Yu Biu

Registered Office
Hung Hing Printing Centre
17–19 Dai Hei Street
Tai Po Industrial Estate
New Territories, Hong Kong
Tel: (852) 2664 8682
Fax: (852) 2664 2070
E-mail: info@hhop.com.hk

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

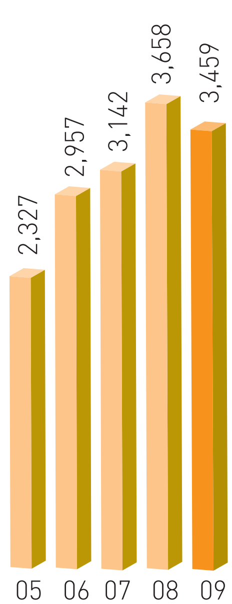
Auditors
Ernst & Young
Nexia Charles Mar Fan & Co.

Share Registrar
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

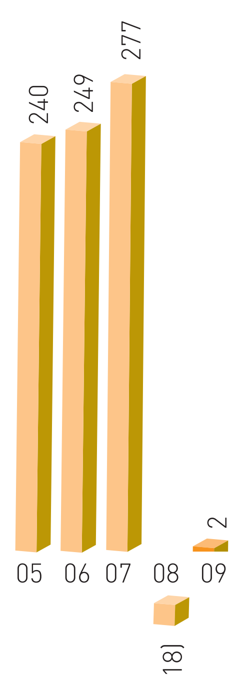
Financial Highlights

Year ended 31 March	2009 HK$'000	2008 HK$'000	Percentage change
Revenue	**3,458,895**	3,658,095	-5
Profit from Operating Activities	**147,346**	299,086	-51
Net Profit/(Loss) Attributable to Equity Holders of the Parent	**1,769**	(17,799)	N/A
Property, Plant and Equipment	**1,362,602**	1,619,897	-16
Equity Attributable to Equity Holders of the Parent	**2,871,302**	2,050,710	+40
Earnings/(Loss) per Share (HK cents)	**0.2**	(3.0)	N/A
Dividends per Share (HK cents)	**14.0**	8.5	+65

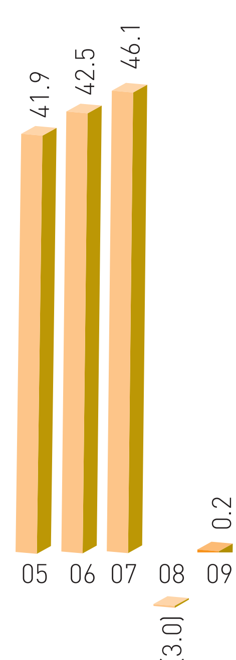
Revenue
HK$ million



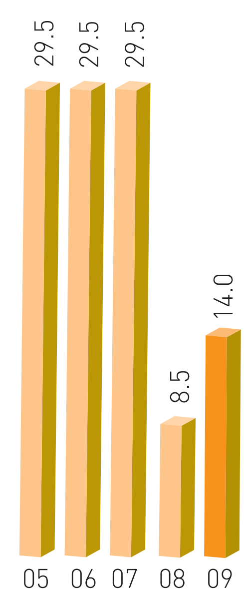
Net Profit/(Loss) Attributable to Equity Holders of the Parent
HK$ million



Earnings/(Loss) per Share
HK cents



Dividends per Share
HK cents



Chairman's Statement

CHAIRMAN

Peter Martin Springford

"Despite the economic downturn, our paper and carton box printing and manufacturing division performed particularly, well, recording double digit revenue growth. The corrugated carton manufacturing division also achieved strong profit growth of more than 99%."

The global economic recession during the year under review had a widespread effect on corporations around the world. Hung Hing was not immune to the impact of reduced consumer demand in most of the Group's markets. Nevertheless, for the financial year 2008/09 Hung Hing maintained steady growth in our core businesses.

Paper and carton box printing performed particularly well, recording double digit revenue growth, despite the downturn in the second half of the year. The corrugated carton manufacturing division achieved strong profit growth of more than 99% as the Group continued to direct its strategy toward preferred customers.

The depreciation of key currencies, notably the Euro and British Pound, negatively affected Hung Hing's profitability. The paper manufacturing and paper trading divisions both experienced declines in revenue and profit largely due to reduced customer demand, volatility in paper prices and increased competition.

During the second half of the financial year, the paper manufacturing division suffered losses as a result of a significant decline in product prices and lower demand which led to reduced production. The division also recognized one-time losses arising from inventory adjustments in raw materials and mechanical parts to the value of HK$60 million.

Profit from operating activities declined to HK$147 million, down 51% compared with the previous financial year.

In view of the significant operating loss of the paper manufacturing division and anticipated future volatility, the Group reassessed the carrying value of its investments in the two Zhongshan companies which comprise the paper manufacturing division. As a result, the Group recognized an impairment loss on the plant and equipment at the two companies of HK$288 million and an impairment loss on goodwill of HK$3 million.

The printing and packaging business has continued to achieve solid financial performances during recent years, therefore the Group has increased its investment in this business. In June 2009, the Group acquired LeMonde Inc. and Homegrace Consultants Limited's equity interests in the three companies comprising the Zhongshan printing and packaging business. LeMonde and Homegrace owned 10% and 5% respectively of equity interests in these three companies. Upon completion of the acquisition, the Group will own 71% of these entities.

At the same time, the Group also entered into agreements with LeMonde and Homegrace to dispose of 25% and 5% respectively of its equity interest in the two paper manufacturing companies in Zhongshan. LeMonde and Homegrace will also provide a loan of RMB30 million to these two paper manufacturing companies. Upon completion of the disposal, the group will own 31% of this business.

Chairman's Statement

The Board believes that this realignment of our investment will enable the Group to focus on its core printing and packaging business which have delivered significant growth and solid financial performances in recent years, particularly in the China domestic market.

Despite a net aggregate fair value gain of HK$89 million as a result of the expiry and termination of all the Group's structured forward contracts, structured borrowings, and forward contracts that remained at their open position, the Group incurred a loss for the year of HK$165 million. After netting off the loss attributable to minority interests of HK$167 million due to the 41% share of the minority interests in the loss-making paper manufacturing companies, profit attributable to equity holders of the parent was HK$1.8 million.

Profit per share was HK0.2 cent. In the past the Group paid approximately 60% of its net earnings as dividends and, subject to cash flow and investment opportunities, we intend to continue this dividend policy in the future. However, due to our excellent cash position this year and our subsequent strong balance sheet, the Board of Directors is proposing a final dividend of HK10 cents per share. This will bring the total dividends for the year to HK14 cents. Subject to shareholders' approval, the dividend will be paid on 10 September 2009 to shareholders whose names appear on the Register of Members of the Company on 21 August 2009.

OUTLOOK

The Group believes the coming year will continue to present challenging business conditions. The reduced investment in our paper manufacturing interests reflects Hung Hing's strategy to focus on our core printing and packaging business which the Group views as having the highest potential for growth, especially in the domestic China consumer market.

To support this strategy, the Group invested in an upgrade of its management information systems, executed initiatives to improve accountability and drive performance improvement in its manufacturing operations. These activities will remain a priority during the course of the coming year.

The Group's strong cash position places Hung Hing in an excellent position to take advantage of growth opportunities which may arise as economic recovery gets underway.

As I close this first year as Chairman, I would like to pay particular thanks to our dedicated staff and management team whose contributions during this period have the Group well-placed to benefit from the opportunities ahead of us.

Peter Martin Springford
Chairman

Hong Kong, 15 July 2009

Management Discussion And Analysis

MANAGING DIRECTOR

Yum Chak Ming, Matthew

"The Group further strengthened its business in the China domestic market, particularly important in a year which saw contraction in traditional export markets. Sales to the electronics, food and beverage segments all experienced positive growth."

Revenue remained stable during the year, down only slightly by 5%. The first half was relatively strong with steady customer demand, however, the economic recession began to impact the Group's business in the second half of the year.

The Group's commitment to quality and service improvements has enabled it to enhance customer loyalty, expand its business with new customers and achieve satisfactory profit margins within its core businesses divisions.

During the year, the Group expanded its sales outside the traditional markets of the US and the UK; Continental Europe grew by 12%, with Russia, Germany and Spain recording steady growth in both volume and revenue terms.

The Group further strengthened its business in the China domestic market, particularly important in a year which saw contraction in traditional export markets. Sales to the electronics, food and beverage segments all experienced positive growth.

Investment in upgrades of the Group's management infrastructure helped deliver planning and process improvements that led to manufacturing efficiencies. These investments will equip Hung Hing well for future growth when market conditions improve.

ANALYSIS BY BUSINESS DIVISION

Analysis by business division is as follows:

	Revenue			Contribution to operating profit		
	2009 HK$'000	**%**	% change from 2008	**2009 HK$'000**	**%**	% change from 2008
Paper & carton box printing & manufacturing	**1,948,485**	**56**	+10	**155,708**	**106**	-2
Corrugated carton manufacturing	**593,491**	**17**	–	**90,593**	**62**	+99
Paper trading	**331,734**	**10**	-29	**54,900**	**37**	-12
Paper manufacturing	**585,185**	**17**	-30	**(142,299)**	**-97**	N/A
Eliminations	**–**	**–**	–	**3,418**	**2**	N/A
	3,458,895	**100**	-5	**162,320**	**110**	–45
Interest, dividend income and other gains				**27,033**	**18**	-14
Corporate and unallocated expenses				**(42,007)**	**-28**	+55
				147,346	**100**	-51

Management Discussion And Analysis

PAPER AND CARTON BOX PRINTING AND MANUFACTURING

The division performed well, achieving an overall revenue increase of 10% compared with last year. This was consistent with strong customer demand, particularly in the export market during the first half as the market anticipated further paper price adjustments. Demand slowed in the second half of the year as a result of the global business downturn.

The Zhongshan printing and packaging plant performed particularly well, increasing its sales to producers of brand name consumer products for the China domestic market.

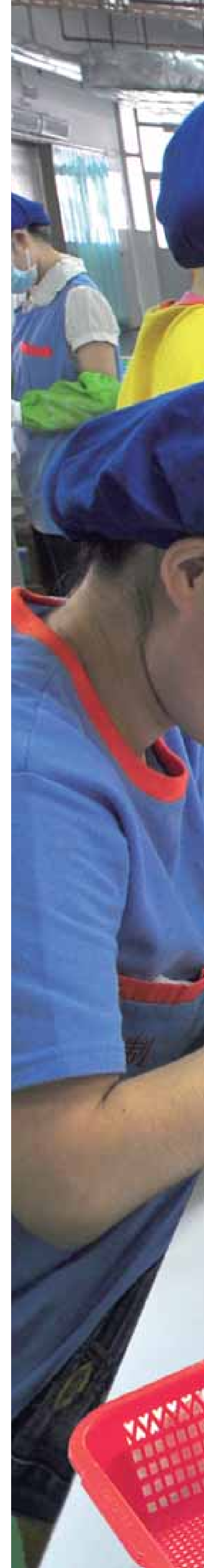
The division faced increased costs of both materials and labor which contributed to a reduction of 2% in operating profit.

The second phase of work at the Heshan plant was completed during the year with the construction of a central warehouse. Total staff at the facility stands at 2,000 and plans are continuing to increase capacity further during 2009, allowing the Group to benefit from manufacturing efficiencies available at that location.

Corrugated Carton Manufacturing

The corrugated carton manufacturing division recorded a strong first half which saw steady growth within its core group of customers. While revenue for the full year was largely the same as the previous year, operating profit increased by 99%.

This result was achieved through increased business from both existing and new customers, particularly in the electronics, food and beverage segments; and from increased sales to the China domestic market. The division was also successful in achieving manufacturing efficiencies which resulted in improved margins.



Inside the Heshan plant.

Management Discussion And Analysis

Paper Trading

Ongoing adjustments in paper prices during the year under review impacted the paper trading business, resulting in a decline of 29% in revenue and of 12% in operating profit. The division experienced a strong first half as customers bought in anticipation of further increases in paper prices. Reductions in paper prices and the global recession resulted in a decline in external sales during the latter part of the year.

The division managed to significantly reduce its inventory position despite these difficulties. Strong management of credit risk limited the exposure to bad debt.

In line with the strategy to focus on growth of the China domestic market, the Group established a subsidiary with a business license to trade in the China domestic market. Initial interest in this new service capability is encouraging.

Paper Manufacturing

The paper manufacturing division was faced with increased competition from new capacity in the market. Combined with a fall in overall demand, this resulted in an imbalance of market supply and demand, and a subsequent decline in prices. This led to the decision to shut down one of the oldest paper machines at our plant, resulting in decreased production capacity.

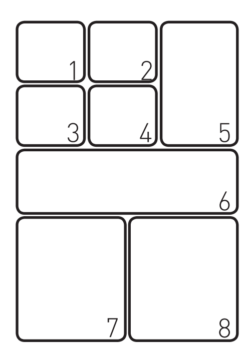
During the first half of the financial year, the rising cost of waste paper used for paper manufacturing and increasing energy costs such as coal prices resulted in significant increases in production costs.

In the second half, the division suffered significant losses in its raw material inventory arising from declines in waste paper prices, both on hand and on order. The write-down of mechanical parts following the shut-down of one paper machine increased the total inventory write-down for the year to HK$60 million. The division incurred an operating loss of HK$142 million for the year.

Photos 1 to 5 — The new chemical laboratory at the Heshan plant, established in 2008, strengthens the Group's control over the quality of raw materials used in the manufacturing process.

Photos 6 & 8 — Inside the Heshan plant.

Photo 7 — An employee is operating the paper cutting machine.



Management Discussion And Analysis

The fire that occurred in January 2009 caused temporary disruption to production and a loss of raw materials. While insurance claims have been submitted, the Group made full provisions of HK$30 million for the losses arising from the fire.

In June 2009, the Group reduced its shareholding in the paper manufacturing plant in Zhongshan through the sale of a total of 30% of its equity stake in the plant to LeMonde and Homegrace. The transaction is a major step forward in Hung Hing's strategy to refocus on its core printing and packaging businesses.

Associate

The new joint venture with Graphic Packaging International Japan Limited was in its early stages of operation during the year under review and the Group incurred its share of a loss of HK$1.6 million. The outlook for the joint venture's branded multi-pack packaging for beer, soft drinks and dairy products remains promising.

FINANCIAL AND CAPITAL RESOURCES

The Group continued its capital investment program in the first half of the year, investing in a printing press and book binding production line as well as expanded production and warehouse buildings at Heshan, and machinery upgrade at the Zhongshan paper mill which will enhance its manufacturing capability.

Total capital expenditure incurred during the year was:

	HK$ million:
Buildings and machinery at the Heshan plant	97
Machinery upgrade at the Zhongshan paper mill	34
Buildings and machinery at the Tai Po plant	10
Machinery at the Zhongshan printing and corrugating plant	9
Machinery at the Shenzhen plant	8
Machinery at the Wuxi plant	7
Equipment at the Shenzhen logistic warehouse	1
Total	166

In response to the global recession, the Group reduced its capital expenditure in the second half of the year. Looking forward, the Group will continue to adopt a prudent approach to capital investment taking an aggressive approach to projects which deliver early cost reductions and efficiency improvements.

The subscription of shares by the new investor Asia Packaging Company Limited in July 2008 injected new funds of HK$867 million. This strengthened the capital base and enhanced the cash position of the Group which remains strong.

The Group remained cautious in granting credit and maintained tight control of its inventory levels. Both accounts receivable and inventory levels were managed down significantly, resulting in a net cash inflow from working capital of HK$423 million.

A large part of the year under review was dominated by higher interest rates, particularly in China, which drove up borrowing costs. However, interest rates declined in the latter part of the year. Excluding the interest charges of HK$71 million on early redemption of convertible bonds last year, finance costs for the year under review fell 7% to HK$66 million.

During the year, the Group repaid total bank loans including the termination of structured borrowings of HK$1,300 million. As at 31 March 2009 the Group's total bank borrowings amounted to HK$673 million of which HK$337 million was repayable within one year with HK$336 million repayable within two to four years. Of the Group's total bank borrowings, 79% was borrowed in Hong Kong dollars, 20% in Renminbi and 1% in U.S. dollars.

As at 31 March 2009, the Group had total cash on hand, including a pledged time deposit, of HK$1,426 million of which HK$1,133 million was held in bank deposits. Of the total cash on hand, 60% was held in Hong Kong dollars, 18% in US dollars and 22% in Renminbi.

The net cash holdings of the Group (total cash net of total bank borrowings) stood at HK$753 million at the end of the year under review. Because of its strong cash position, the Board is recommending the payment of a final dividend of HK10 cents per share to shareholders.

Management Discussion And Analysis

ENVIRONMENTAL SUSTAINABILITY

Hung Hing's commitment to adopting sustainable practices across our businesses has continued with a variety of measures implemented during the year under review. Our largest spending was a HK$10 million investment in installing systems to reduce sulphur dioxide emissions at the Zhongshan paper manufacturing plant.

In our printing business, we have introduced a manufacturing process which reduces our use of chemicals and a lower use of VOCs (Volatile Organic Compounds), significantly reducing our impact on the environment. We continued our energy saving program across our factories with clearly defined targets and goals.

These initiatives are part of our wide ranging measures to be more environmentally sustainable.

OUR PEOPLE

During the year, the Group managed staff numbers to meet the reduction in overall demand. Total staff numbers were reduced from 16,000 to 12,983, of which 359 were employed in Hong Kong and 12,624 in China.

The Group continues to place a high priority on the safety, ongoing professional development and engagement of our employees. During the year, we continued to identify, support and introduce programs which improved skill levels of employees and managers at a core part of our performance improvement initiatives.

I remain indebted to our dedicated and hardworking staff who have embraced changes during a challenging year. As a result of their commitment, Hung Hing is in a strong position to face the future.

Yum Chak Ming, Matthew
Managing Director

Hong Kong, 15 July 2009

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year consisted of investment holding and the provision of management services.

The principal activities of the Group during the year consisted of the printing and manufacturing of paper and carton boxes, the manufacturing of corrugated cartons, the trading of paper and the manufacturing of paper. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 128.

An interim dividend of HK4 cents per share was paid on 21 January 2009. The directors recommend the payment of a final dividend of HK10 cents per ordinary share in respect of the year to shareholders on the registered members on 21 August 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

Report of the Directors

RESULTS

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**3,458,895**	3,658,095	3,141,985	2,956,885	2,327,393
PROFIT FROM OPERATING ACTIVITIES	**147,346**	299,086	363,872	351,678	314,595
Loss from fire	**(30,331)**	–	–	–	–
Impairment of property, plant and equipment	**(260,499)**	–	–	–	–
Impairment of goodwill	**(3,041)**	–	–	–	–
Impairment of properties under construction	**(27,807)**	–	–	–	–
Fair value gain/(loss) on derivative financial instruments not qualified as hedges, net	**104,055**	(157,473)	–	–	–
Fair value gain/(loss) on derivative component of convertible bonds	**–**	32,775	55,275	(1,800)	–
Finance costs	**(66,422)**	(142,744)	(61,493)	(28,247)	(12,203)
Share of profits and losses of associates	**(1,560)**	–	–	–	4,756
PROFIT/(LOSS) BEFORE TAX	**(138,259)**	31,644	357,654	321,631	307,148
Tax	**(27,180)**	(35,039)	(50,123)	(45,540)	(44,096)
PROFIT/(LOSS) FOR THE YEAR	**(165,439)**	(3,395)	307,531	276,091	263,052
Attributable to:					
Equity holders of the parent	**1,769**	(17,799)	277,139	248,891	240,281
Minority interests	**(167,208)**	14,404	30,392	27,200	22,771
	(165,439)	(3,395)	307,531	276,091	263,052
EARNINGS/(LOSS) PER SHARE					
Basic	**HK0.2 cent**	HK(3.0) cents	HK46.1 cents	HK42.5 cents	HK41.9 cents

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROPERTY, PLANT AND EQUIPMENT	**1,362,602**	1,619,897	1,493,144	1,373,577	1,289,684
PREPAID LAND LEASE PAYMENTS	**147,859**	150,784	147,700	145,531	149,682
GOODWILL	**–**	3,041	3,041	3,041	3,041
AVAILABLE-FOR-SALE INVESTMENTS	**9,785**	15,067	11,554	10,766	10,438
PROPERTIES UNDER CONSTRUCTION	**35,994**	40,844	50,090	46,058	57,382
INTEREST IN AN ASSOCIATE	**504**	–	–	–	–
DEFERRED TAX ASSETS	**4,348**	7,735	4,731	5,869	6,060
CURRENT ASSETS	**2,524,209**	2,955,848	2,401,498	2,400,552	1,604,097
TOTAL ASSETS	**4,085,301**	4,793,216	4,111,758	3,985,394	3,120,384
CURRENT LIABILITIES	**619,419**	1,383,169	706,587	797,458	634,545
CONVERTIBLE BONDS	**–**	–	679,590	641,185	–
INTEREST-BEARING BANK AND OTHER BORROWINGS	**335,825**	893,485	110,833	169,167	325,000
STRUCTURED BORROWINGS	**–**	42,163	56,896	–	–
DEFERRED TAX LIABILITIES	**39,797**	40,802	36,550	23,354	19,325
TOTAL LIABILITIES	**995,041**	2,359,619	1,590,456	1,631,164	978,870
MINORITY INTERESTS	**218,958**	382,887	354,094	317,017	298,854
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,871,302**	2,050,710	2,167,208	2,037,213	1,842,660

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital and convertible bonds during the year are set out in notes 33 and 31 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$336,822,000, of which HK$92,428,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$1,559,461,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$178,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 33% of the total purchases for the year and purchases from the largest supplier included therein amounted to 10%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Yam Cheong Hung	*(resigned on 17 July 2008)*
Yum Chak Ming, Matthew	
Yam Ho Ming, Michael	
Yam Hon Ming, Tommy	*(resigned on 17 July 2008)*
Sung Chee Keung	*(appointed on 22 September 2008)*

Non-executive directors:

Chu Shu Ho, David, JP	*(resigned on 17 July 2008)*
Yum Pui Ming, Anna	*(retired on 22 September 2008)*
Ho Chi Kit	*(appointed on 17 July 2008)*
Lam Tsz-Wang, Alvin	*(appointed on 17 July 2008)*
Peter Martin Springford	*(appointed on 17 July 2008)*
David Murray Lonie	*(appointed on 17 July 2008)*

Independent non-executive directors:

Yip Yu Bun, MH	
Wong Siu Ping	*(resigned on 28 July 2008)*
Yap, Alfred Donald	
Luk Koon Hoo	*(appointed on 15 August 2008)*

In accordance with the Company's articles of association, the following directors will retire by rotation:

Yum Chak Ming, Matthew
David Murray Lonie
Yip Yu Bun

Yum Chak Ming, Matthew, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

David Murray Lonie and Yip Yu Bun will not offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Yip Yu Bun, Mr. Yap, Alfred Donald and Mr. Luk Koon Hoo, and as at the date of this report still considers them to be independent.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Honorary Chairman

Mr. Yam Cheong Hung, aged 80, has been the Chairman and a director of the Company since 1991 and resigned on 17 July 2008. He was appointed as the Honorary Chairman of the Group on the same day.

Chairman (non-executive director)

Mr. Peter Martin Springford (appointed on 17 July 2008), aged 55, holds an M.B.A. from Otago University in New Zealand and is a member of the Institute of Directors in New Zealand. Mr. Springford is currently a director and the chairman of the audit committee of The New Zealand Refining Company Ltd, New Zealand's only oil refinery and a company listed on the New Zealand Stock Exchange. From 2002 to 2006, Mr. Springford was the managing director and the chief executive officer of Carter Holt Harvey Ltd, a major forestry, wood, paper & packaging company listed on the Australian Stock Exchange and the New Zealand Stock Exchange. Mr. Springford is also the chairman of Asia Timber Products Company Ltd. and GS Paper and Packaging Sdn Bhd, both being CVC group's unlisted portfolio companies.

Executive directors

Mr. Yum Chak Ming, Matthew, aged 51, has been the Managing Director and a director of the Company since 1991. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto, Canada. He is responsible for the overall management of the Group. He has been with the Group since 1983.

Mr. Yam Ho Ming, Michael, aged 50, is a director of the Company and is responsible for overseeing the Group's paper trading and paper manufacturing operations in China. He holds a Bachelor of Science degree in Printing Management from Rochester Institute of Technology, U.S.A. He has over 10 years of experience in the printing industry both in Hong Kong and overseas. He became a director of the Company in June 1996. He is a brother of Mr. Yum Chak Ming, Matthew.

Mr. Sung Chee Keung (appointed on 22 September 2008), aged 50, is the Operation Officer of Zhongshan Region, the PRC, of the Group. He is responsible for overseeing the operation of the Group's manufacturing facilities in Zhongshan, PRC. He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A. He has over 20 years of experience in the printing industry and has been with the Group since 1986.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (Continued)

Non-executive directors

Mr. Ho Chi Kit (appointed on 17 July 2008), aged 47, is a director of Asia Packaging Company Limited and the senior managing director of CVC, the adviser to the investment funds which ultimately own Asia Packaging Company Limited. Mr. Ho holds a B.S. (Honours) in Computer Science from the University of Manitoba and an M.B.A. from the University of British Columbia. He is also a Chartered Financial Analyst. Mr. Ho has been with CVC since 1999 and is currently responsible for CVC's investment activities in Hong Kong and China. Prior to joining CVC, Mr. Ho was an investment director of Citicorp Everbright China Fund where he actively led the fund's investments in China. Prior to that, he was the associate investment director of Citicorp Capital Asia Limited and assisted in building a regional investment portfolio.

Mr. Lam Tsz-Wang, Alvin (appointed on 17 July 2008), aged 37, is a director of Asia Packaging Company Limited and the managing director of CVC, the adviser to the investment funds which ultimately own Asia Packaging Company Limited. Mr. Lam holds a B.S. from the Massachusetts Institute of Technology, an M.B.A. from the Wharton School, University of Pennsylvania, and an MA in International Studies from the University of Pennsylvania. Mr. Lam has been with CVC for three and a half years, and was previously a principal with the Boston Consulting Group based in Hong Kong.

Mr. David Murray Lonie (appointed on 17 July 2008), aged 59, holds an Engineering Degree from Melbourne University in Australia and a Master of Science Degree from the University of Newcastle in Australia. Mr. Lonie has held senior operational and sales management roles in the paper industry in Australia and New Zealand over the last 30 years. In the late 1990's, Mr. Lonie was the business development director for the Pulp and Paper Division of Fletcher Challenge Paper, a major listed New Zealand company at that time. From 2001 to 2003, Mr. Lonie was the chief executive of Carter Holt Harvey's Packaging Paper Division. Mr. Lonie is currently the deputy chairman of Asia Timber Products Company Ltd and GS Paper and Packaging Sdn Bhd, both being CVC group's unlisted portfolio companies.

Independent non-executive directors

Mr. Yip Yu Bun, MH, aged 82, has been a director of the Company since 1994. He is the Managing Director of The Green Pagoda Press Limited. He is the Honorary President of the Hong Kong Printers Association, the former Chairman of the Printing, Publishing and Newspaper Industry Safety and Health Committee of the Occupational Safety and Health Council and the former Chairman of the Printing Industry Training Board of the Vocational Training Council. He has over 40 years of experience in the printing industry.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (Continued)

Independent non-executive directors (Continued)

Mr. Yap, Alfred Donald, JP, aged 70, is presently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. He is the former president of The Law Society of Hong Kong and of The Law Association for Asia and The Pacific (LAWASIA). He has served and presently still serves on various public and community bodies. Mr. Yap is currently an independent non-executive director of eSun Holdings Limited, and Wong's International (Holdings) Limited, which are listed on the Stock Exchange of Hong Kong Limited. He became a director of the Company in March 2005.

Mr. Luk Koon Hoo (appointed on 15 August 2008), aged 58, is a retired banker. He has 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975, became the bank's Chief Financial Officer in 1989. He was appointed Executive Director and Deputy Chief Executive in 1994 and was subsequently re-designed as Managing Director until his retirement in 2005. Mr. Luk is currently an independent non-executive director of three publicly-listed companies in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and Wheelock Properties Limited. Mr. Luk also serves as a council member and the treasurer of The Chinese University of Hong Kong, a member of the Barristers Disciplinary Tribunal Panel, a member of the Operations Review Committee of the Independent Commission for Anti-Corruption and a non-official director of Hong Kong Applied Science and Technology Research Institute. Mr. Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers. Mr. Luk is a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Senior management

Mr. David Roy Eitemiller, aged 50, is the Chief Operating Officer of the Group, responsible for the day to day operations and execution of the Group's strategy. He holds a Master's degree in Forest Management and Economics from Colorado State University, USA. He has over 20 years experience in managing paper, packaging and printing industries in Asia. He has been with the Group since September 2008.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (Continued)

Senior management (Continued)

Mr. Lui Man Yiu, Eric, aged 53, is the Vice President, Finance of the Group. He is responsible for the Group's financial planning and management reporting activities. He also provides finance functional leadership to the Group's manufacturing operations in China. He started his career first with an international accounting firm in Hong Kong. He has over 20 years experience in financial management in the information technology and consumer products sectors in Hong Kong and China. He is a graduate of the Hong Kong Polytechnic University and a fellow member of the Association of Chartered Certified Accountants. He has been with the Group since October 2008.

Mr. Tung Yu Biu, aged 60, is the Financial Controller and Company Secretary of the Company and is responsible for the financial accounting and secretarial affairs of the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, he worked 5 years with an international accounting firm in Hong Kong and 11 years in different roles in financial management with a multinational company in Hong Kong. He has been with the Group since 1992.

Mr. Wong Fu Cheung, Dennis, aged 49, is the Deputy General Manager, MIS, Compliance and Standards and is responsible for the managing of the Group's information technology, social responsibility and quality assurance. He holds a Bachelor of Science degree with Honours in Computational and Statistical Science from the University of Liverpool, U.K.. He has been with the Group since 1992.

Mr. Song Zhi Yi, aged 48, is responsible for the management of the Group's manufacturing operations in Shenzhen and Heshan. He holds a Bachelor's degree in Forestry from the Southern China University, the People's Republic of China. He has been with the Group since 1990. He is a brother of Mr. Sung Chee Keung.

Mr. Chan Lai Him, Raymond, aged 52, is responsible for the management of the corrugated carton manufacturing business in Hong Kong and Shenzhen. He holds a Bachelor of Arts degree in Commerce from the University of Toronto. He has over 16 years experience in manufacturing and has been with the Group since 1999. He is a brother-in-law of Mr. Yum Chak Ming, Matthew.

Mr. Chan Siu Man, Alvin, aged 51, is responsible for the sales and marketing of the Group's South China offset printing business. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is a brother-in-law of Mr. Yum Chak Ming, Matthew.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (Continued)

Senior management (Continued)

Mr Yim Chi Hung, Dominic, aged 49, is the General Manager – East China of the Group. He is responsible for overseeing the Group's operation in eastern China, including the management of the Wuxi plant. He holds a Bachelor of Science degree from the University of Leeds, U.K. He has over 19 years experience in general management in different industries including printing. He has been with the Group since November 2008.

Ms. Chong Wai Kan, Winky, aged 39, is responsible for the management of the Group's paper trading business. She has over 17 years of experience in paper trading and has been with the Group since 1992.

Mr. Lee Kwok Wai, Raymond, aged 49, is responsible for the management of the Group's paper manufacturing business in Zhongshan . He holds a Bachelor of Economics degree in Finance and a Master of Business Administration degree from the Royal Melbourne Institute of Technology, Australia. Prior to joining the Group, he had extensive experience in finance, manufacturing, sales and marketing with multinational companies in Mainland China. He has worked in the paper manufacturing industry over 10 years and has been with the Group since 2007.

Mr. Man Lim Huen, aged 75, is a director and co-founder of the Group's subsidiary, Tai Hing Paper Products Company, Limited. He is an advisor to the Group's corrugated carton manufacturing business and has been with the Group since 1966.

Mr. Chan Tai Ho, aged 60, is responsible for the sales and marketing of corrugated carton business in Hong Kong and Shenzhen. He has over 30 years experience in the corrugated carton industry and has been with the Group since 1969.

DIRECTORS' SERVICE CONTRACTS

Peter Martin Springford has a service contract with the Company for a term of one year which commenced on 17 July 2008 and is subject to termination by either party giving not less than 30 days' notice.

David Murray Lonie has a service contract with the Company for a term of one year which commenced on 17 July 2008 and is subject to termination by either party giving not less than 30 days' notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the interests of the directors in the share capital and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of directors	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
			(Note)		
Yum Chak Ming, Matthew	9,374,537	–	–	9,374,537	1.01
Yap, Alfred Donald	27,504	–	–	27,504	–
Sung Chee Keung	602,824	60,000	–	662,824	0.07

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Long positions in ordinary shares of the associated corporations:

Name of director	Name of associated corporations	Capacity and nature of interest	Number of ordinary shares/ registered capital held	Percentage of the associated corporations' issued share capital/ registered capital
Sung Chee Keung	South Gain Enterprises Limited	Through controlled corporation	85,000 shares	5
Sung Chee Keung	Zhongshan Hung Hing Printing & Packaging Company Limited	Through controlled corporation	US$900,000	5
Sung Chee Keung	Zhongshan Hung Hing Off-Set Printing Company Limited	Through controlled corporation	US$250,000	5

Save as disclosed above, as at 31 March 2009, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Note	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
CVC Capital Partners Asia III Limited	(a)	Through controlled corporation	340,174,445	36.80
CVC Capital Partners Asia Pacific III L.P.	(a)	Through controlled corporation	340,174,445	36.80
Asia Packaging Group Holdings Limited	(a)	Through controlled corporation	340,174,445	36.80
Asia Packaging Holdings Limited	(a)	Through controlled corporation	340,174,445	36.80
Asia Packaging Company Limited	(a)	Directly beneficially owned	340,174,445	36.80
Yam Cheong Hung	(b)	Directly beneficially owned and through controlled corporation and his spouse	291,576,586	31.55
C.H. Yam International Limited	(b)	Directly beneficially owned and through controlled corporation	286,834,379	31.03
C.H. Yam Holding Limited	(b)	Through controlled corporation	195,263,190	21.13
Hung Tai Industrial Company Limited	(b)	Directly beneficially owned	195,263,190	21.13
Commonwealth Bank of Australia		Through controlled corporation	59,412,491	6.43

Note:

(a) There is a duplication of interests of 340,174,445 shares in the Company among CVC Capital Partners Asia III Limited, CVC Capital Partners Asia Pacific III L.P., Asia Packaging Group Holdings Limited, Asia Packaging Holdings Limited and Asia Packaging Company Limited.

(b) C.H. Yam International Limited is a company owned by Yam Cheong Hung and his family. C.H. Yam International Limited in turn owns Hung Tai Industrial Company Limited as to 96.6% through its wholly-owned subsidiary, C.H. Yam Holding Limited. Further, under the SFO, Yam Cheong Hung is deemed to be interested in the 1,650,207 shares (0.27% of the Company's issued share capital) owned by his spouse.

There is a duplication of interests of 195,263,190 shares in the Company among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited.

Save as disclosed above, as at 31 March 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 42 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Ernst & Young and Nexia Charles Mar Fan & Co. retire and the directors propose the appointment of PricewaterhouseCoopers as auditors of the Company at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Peter Martin Springford
Chairman

Hong Kong, 15 July 2009

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principle of the Company emphasizes on accountability and transparency and is adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2009 with the exception that the Non-executive Directors are not appointed for a specific term. However under the Articles of Association of the Company one-third of the directors who have served longest on the Board shall retire from office by rotation in every year at the annual general meeting. Hence every director of the Company is subject to retirement by rotation at least once every three years and the terms of appointment of the Non-executive Directors are limited accordingly.

Following the resignation of Mr. Wong Siu Ping as an independent non-executive director and a member of the audit committee and the remuneration committee of the Company with effect from 28 July 2008, the Company had two independent non-executive directors, which fell below the minimum number of three independent non-executive directors as required under Rule 3.10(1) of the Listing Rule and also the audit committee members did not have the appropriate accounting expertise as required under Rule 3.21 of the Listing Rule. Mr. Luk Koon Hoo has been appointed as an independent non-executive director and a member of the audit committee and the remuneration committee of the Company to fill the vacancy with effect from 15 August 2008.

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the "Board") of the Company is composed of 10 Directors, of which 3 are Executive Directors including the Managing Director, 4 are Non-executive Directors including the Chairman and 3 are Independent Non-executive Directors. All the Independent Non-executive Directors have appropriate professional qualifications, experience, or accounting or related financial management expertise. The Directors biography and relevant relationships amongst them are set out in the Biographical Details of Directors section on pages 22 to 26 of this Annual Report.

Review will be made regularly on the Board to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Company and its subsidiaries (the ''Group''). Also, a balanced composition of Executive Directors and Non-executive Director is maintained to ensure independence and effective management. The Company has satisfied the Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise to sit in the Audit Committee.

BOARD COMPOSITION AND BOARD PRACTICES (Continued)

Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 and Appendix 16(12B) of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company still considers that all Independent Non-executive Directors to be independent.

When selecting potential candidates for directors, skills, experience, expertise, his devotion of time, conflicts of interests are key factors for consideration. A Nomination Committee has been set up to make recommendation to the Board on the selection and nomination of candidates for directorship.

The Board is accountable to shareholders and is responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

The roles of the Chairman and the Managing Director who is the chief executive officer of the Company are separate with division of duties and responsibilities to ensure a balance of power and authority. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Directors. They report periodically to the Board their work and business decisions.

BOARD COMPOSITION AND BOARD PRACTICES (Continued)

The Board meets regularly and held five full board meetings in 2008/09

	Attendance
Executive Directors	
Yam Cheong Hung *(Chairman, resigned on 17 July 2008)*	1/2
Yum Chak Ming, Matthew *(Managing Director)*	5/5
Yam Ho Ming, Michael	5/5
Yam Hon Ming, Tommy *(resigned on 17 July 2008)*	1/2
Sung Chee Keung *(appointed on 22 September 2008)*	2/2
Non-executive Directors	
Chu Shu Ho, David *(resigned on 17 July 2008)*	0/2
Yum Pui Ming, Anna *(retired on 22 September 2008)*	1/2
Peter Martin Springford *(Chairman, appointed on 17 July 2008)*	4/4
David Murray Lonie *(appointed on 17 July 2008)*	4/4
Ho Chi Kit *(appointed on 17 July 2008)*	4/4
Lam Tsz-Wang, Alvin *(appointed on 17 July 2008)*	3/4
Independent Non-executive Directors	
Wong Siu Ping *(resigned on 28 July 2008)*	1/2
Yap Alfred Donald	4/5
Yip Yu Bun	4/5
Luk Koon Hoo *(appointed on 15 August 2008)*	3/3

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in persons or through other means of electronic communication. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Directors have full access to information on the Group and are able to obtain independent professional advice whenever necessary.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules. The Chairman or the Chairman of the Audit Committee are persons to be notified for securities dealings by Directors and a designed form is used for notification and acknowledgement purpose.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 March 2009.

INTERNAL CONTROL

The Company places great importance on internal control and risk management to safeguard the assets of the Company and the interests of shareholders. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. The Board conducted a review of the Group's internal control system for the year ended 31 March 2009 including financial, operational and compliance controls and risk management functions. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee and the Company's Internal Audit Department.

Based on the assessment of risk exposure, the Internal Audit Department formulates audit plan and ensures the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee on a regular interval. Special review may also be performed on areas of concern identified by management or the Audit Committee from time to time.

The Internal Audit Department monitors the internal control procedures and systems of the Group and reports its findings and recommendations to management, and the Audit Committee on regular interval. The department also monitors the follow-up actions agreed upon in response to its recommendations.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 37 to 38 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 March 2009, the Auditors of the Company will receive approximately HK$2,921,000 for their audit service. Non-audit service which covered services in relation to a circular dated 13 June 2008 on subscription of new shares and whitewash waiver was HK$1,090,000 and taxation service provided to the Group was approximately HK$46,000 in 2008/09.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 29 August 2005 with specific terms of reference and comprises of three Independent Non-executive Directors and one Non-executive Director. They are respectively Mr. Alfred Donald Yap (Committee Chairman), Mr. Yip Yu Bun, Mr. Luk Koon Hoo and Mr. Lam Tsz-Wang, Alvin. The committee held three meetings in 2008/09 and the attendance record were:

	Attendance
Alfred Donald Yap	3/3
Yip Yu Bun	3/3
Wong Siu Ping *(resigned on 28 July 2008)*	1/1
Luk Koon Hoo *(appointed on 15 August 2008)*	2/2
Lam Tsz-Wang, Alvin *(appointed on 17 July 2008)*	1/2

The policy and the practices for the remuneration of Executive Directors and the Senior Management were reviewed by the Committee. Remuneration, including basic salary, performance bonus, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability. Annual salary adjustment and profit linked performance bonus are subject to review and approval by the Committee.

Executive Directors are not eligible for additional remuneration of director fee for Board activities and director fee of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

NOMINATION COMMITTEE

The nomination committee was set up on 19 March 2009 with specific terms of reference. It comprises of four members, an Independent Non-executive Director, Mr. Luk Koon Hoo (Committee Chairman), two Non-executive Directors, Mr. Peter Martin Springford and Mr. Ho Chi Kit, and one Executive Director, Mr. Yum Chak Ming, Matthew. The Committee is responsible for making recommendation to the board for selection and nomination of directors, and the succession planning of directors and senior management. The Committee also reviews the size, structure and composition of the Board and assesses the independence of Independent Non-executive Directors.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors and one Non-executive Director. They are respectively Mr. Yip Yu Bun (Committee Chairman), Mr. Alfred Donald Yap, Mr. Luk Koon Hoo and Mr. Peter Martin Springford. The Audit Committee met twice in 2008/09 with a 100% attendance by all of the Audit Committee members who were then members of the Committee. The Company's Internal Audit Department has a duty to report its work to the Audit Committee on a regular interval. The principal duties of the Audit Committee include the review of the Internal Audit Department's audit plan and progress reports with management and the external auditors, participation in the discussion of appointment of external auditors and review of their independence, review of the Group's interim results and annual results and their related financial statements for submission to the Board for approval. The Committee's authority and duties are set out in its terms of reference which is substantially the same as the CG Code.

The Committee has reviewed the proposed audit fee and considered the appointment of a single auditor instead of joint auditors for the upcoming fiscal year. Accordingly it has recommended to the Board the appointment of PricewaterhouseCoopers as auditors of the Company at the forthcoming annual general meeting.

ERNST & YOUNG
安永

NEXIA INTERNATIONAL
NEXIA CHARLES MAR FAN & CO.
馬炎璋會計師行

To the shareholders of Hung Hing Printing Group Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Hung Hing Printing Group Limited set out on pages 39 to 128, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditors' Report

AUDITORS' RESPONSIBILITY (Continued)

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F Two International Finance Centre
8 Finance Street, Central

Hong Kong, 15 July 2009

Nexia Charles Mar Fan & Co.
Certified Public Accountants
11/F Fortis Tower
77-79 Gloucester Road

Hong Kong, 15 July 2009

Consolidated Income Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**3,458,895**	3,658,095
Cost of sales		**(2,947,779)**	(3,082,621)
Gross profit		**511,116**	575,474
Other income and gains	5	**57,643**	112,453
Distribution costs		**(83,042)**	(83,438)
Administrative and selling expenses		**(285,250)**	(265,332)
Other expenses		**(53,121)**	(40,071)
		147,346	299,086
Loss from fire	10	**(30,331)**	–
Impairment of property, plant and equipment	15	**(260,499)**	–
Impairment of goodwill	17	**(3,041)**	–
Impairment of properties under construction	19	**(27,807)**	–
Fair value gain/(loss) on derivative financial instruments not qualified as hedges, net	25	**104,055**	(157,473)
Fair value gain on derivative component of convertible bonds	31	**–**	32,775
Finance costs	7	**(66,422)**	(142,744)
Share of loss of an associate	21	**(1,560)**	–
PROFIT/(LOSS) BEFORE TAX	6	**(138,259)**	31,644
Tax	11	**(27,180)**	(35,039)
LOSS FOR THE YEAR		**(165,439)**	(3,395)
Attributable to:			
Equity holders of the parent	12	**1,769**	(17,799)
Minority interests		**(167,208)**	14,404
		(165,439)	(3,395)
DIVIDENDS	13		
Interim		**36,971**	45,059
Proposed final		**92,428**	9,243
		129,399	54,302
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		
Basic		**HK0.2 cent**	HK(3.0) cents

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,362,602**	1,619,897
Prepaid land lease payments	16	**147,859**	150,784
Goodwill	17	**–**	3,041
Available-for-sale investments	18	**9,785**	15,067
Properties under construction	19	**35,994**	40,844
Interest in an associate	21	**504**	–
Deferred tax assets	32	**4,348**	7,735
Total non-current assets		**1,561,092**	1,837,368
CURRENT ASSETS			
Inventories	22	**503,957**	855,800
Accounts and bills receivable	23	**538,295**	891,195
Prepayments, deposits and other receivables	24	**40,793**	61,398
Derivative financial instruments	25	**3,691**	5,389
Tax recoverable		**11,577**	8,264
Pledged time deposits	26	**115,628**	322,492
Cash and cash equivalents	26	**1,310,268**	811,310
Total current assets		**2,524,209**	2,955,848
CURRENT LIABILITIES			
Accounts and bills payable	27	**128,434**	264,133
Tax payable		**23,417**	19,360
Other payables and accrued liabilities	28	**123,557**	164,975
Derivative financial instruments	25	**6,858**	126,682
Structured borrowings	30	**–**	22,655
Convertible bonds	31	**–**	11
Interest-bearing bank and other borrowings	29	**337,153**	785,353
Total current liabilities		**619,419**	1,383,169
NET CURRENT ASSETS		**1,904,790**	1,572,679

	Notes	**2009** **HK$'000**	2008 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,465,882**	3,410,047
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**335,825**	893,485
Structured borrowings	30	**–**	42,163
Deferred tax liabilities	32	**39,797**	40,802
Total non-current liabilities		**375,622**	976,450
Net assets		**3,090,260**	2,433,597
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	33	**92,428**	60,078
Reserves		**2,686,446**	1,981,389
Proposed final dividend	13	**92,428**	9,243
		2,871,302	2,050,710
Minority interests		**218,958**	382,887
Total equity		**3,090,260**	2,433,597

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

		Attributable to equity holders of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve (note 17) HK$'000	Hedging reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (note 34(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007		60,078	724,845	966	(814)	-	1,116	89,241	40,030	1,131,590	120,156	2,167,208	354,094	2,521,302
Exchange realignment		-	-	-	-	-	-	-	64,784	-	-	64,784	37,355	102,139
Changes in fair value of available-for-sale investments	18	-	-	-	-	-	3,618	-	-	-	-	3,618	-	3,618
Charged to the income statement upon disposal of available-for-sale investments		-	-	-	-	-	68	-	-	-	-	68	-	68
Net losses on cash flow hedge	25	-	-	-	-	(1,954)	-	-	-	-	-	(1,954)	-	(1,954)
Total income and expense recognised directly in equity		-	-	-	-	(1,954)	3,686	-	64,784	-	-	66,516	37,355	103,871
Profit/(loss) for the year		-	-	-	-	-	-	-	-	(17,799)	-	(17,799)	14,404	(3,395)
Total income and expense for the year		-	-	-	-	(1,954)	3,686	-	64,784	(17,799)	-	48,717	51,759	100,476
Final 2007 dividend declared		-	-	-	-	-	-	-	-	-	(120,156)	(120,156)	-	(120,156)
Transfer from retained profits		-	-	-	-	-	-	10,274	-	(10,274)	-	-	-	-
Interim 2008 dividend	13	-	-	-	-	-	-	-	-	(45,059)	-	(45,059)	-	(45,059)
Proposed final 2008 dividend	13	-	-	-	-	-	-	-	-	(9,243)	9,243	-	-	-
Contribution from minority shareholders		-	-	-	-	-	-	-	-	-	-	-	19,160	19,160
Dividends paid to minority shareholders		-	-	-	-	-	-	-	-	-	-	-	(42,126)	(42,126)
At 31 March 2008		60,078	724,845*	966*	(814)*	(1,954)*	4,802*	99,515*	104,814*	1,049,215*	9,243	2,050,710	382,887	2,433,597

	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve (note 17) HK$'000	Hedging reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (note 34(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the parent												
At 1 April 2008		60,078	724,845	966	(814)	(1,954)	4,802	99,515	104,814	1,049,215	9,243	2,050,710	382,887	2,433,597
Exchange realignment		-	-	-	-	-	-	-	7,135	-	-	7,135	5,026	12,161
Changes in fair value of available-for-sale investments	18	-	-	-	-	-	(5,291)	-	-	-	-	(5,291)	-	(5,291)
Net losses on cash flow hedge	25	-	-	-	-	(3,773)	-	-	-	-	-	(3,773)	-	(3,773)
Total income and expense recognised directly in equity		-	-	-	-	(3,773)	(5,291)	-	7,135	-	-	(1,929)	5,026	3,097
Profit/(loss) for the year		-	-	-	-	-	-	-	-	1,769	-	1,769	(167,208)	(165,439)
Total income and expense for the year		-	-	-	-	(3,773)	(5,291)	-	7,135	1,769	-	(160)	(162,182)	(162,342)
Final 2008 dividend declared		-	-	-	-	-	-	-	-	-	(9,243)	(9,243)	-	(9,243)
Issue of shares	33	32,350	841,101	-	-	-	-	-	-	-	-	873,451	-	873,451
Share issue expenses	33	-	(6,485)	-	-	-	-	-	-	-	-	(6,485)	-	(6,485)
Transfer from retained profits		-	-	-	-	-	-	12,469	-	(12,469)	-	-	-	-
Interim 2009 dividend	13	-	-	-	-	-	-	-	-	(36,971)	-	(36,971)	-	(36,971)
Proposed final 2009 dividend	13	-	-	-	-	-	-	-	-	(92,428)	92,428	-	-	-
Contribution from minority shareholders		-	-	-	-	-	-	-	-	-	-	-	10,266	10,266
Dividends paid to minority shareholders		-	-	-	-	-	-	-	-	-	-	-	(12,013)	(12,013)
At 31 March 2009		92,428	1,559,461*	966*	(814)*	(5,727)*	(489)*	111,984*	111,949*	909,116*	92,428	2,871,302	218,958	3,090,260

* These reserve accounts comprise the consolidated reserves of HK$2,686,446,000 (2008: HK$1,981,389,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		**(138,259)**	31,644
Adjustments for:			
Finance costs	7	**66,422**	142,744
Share of loss of an associate	21	**1,560**	–
Bank interest income	5	**(26,686)**	(22,460)
Dividend income from available-for-sale investments	5	**(347)**	(369)
Gain on disposal of available-for-sale investments	5	**–**	(225)
Fair value gain on structured deposits	5	**–**	(9,051)
Loss from fire on inventories	10	**30,331**	–
Impairment of property, plant and equipment	15	**260,499**	–
Impairment of goodwill	17	**3,041**	–
Impairment of properties under construction	19	**27,807**	–
Fair value loss/(gain) on derivative financial instruments not qualified as hedges, net	25	**(104,055)**	157,473
Fair value gain on derivative component of convertible bonds	31	**–**	(32,775)
Depreciation	6	**145,212**	134,278
Recognition of prepaid land lease payments	6	**3,831**	3,863
Impairment on accounts and bills receivable	6	**20,846**	20,427
Impairment of deposits	6	**11,300**	–
Write-down of inventories to net realisable value	6	**64,125**	45
Loss on disposal of items of property, plant and equipment	6	**2,717**	113
Fair value loss on structured borrowings	6	**14,741**	6,573
Fair value loss on a short-term note	6	**–**	865
		383,085	433,145
Decrease/(increase) in inventories		**257,387**	(259,473)
Decrease/(increase) in accounts and bills receivable		**331,953**	(155,581)
Decrease/(increase) in prepayments, deposits and other receivables		**6,700**	(21,811)
Increase in an amount due from an associate		**(504)**	–
Increase/(decrease) in accounts and bills payable		**(135,699)**	82,887
Increase/(decrease) in other payables and accrued liabilities		**(36,541)**	37,604
Cash generated from operations		**806,381**	116,771
Hong Kong profits tax paid		**(12,219)**	(9,509)
Mainland China tax paid		**(12,199)**	(30,134)
Net cash inflow from operating activities		**781,963**	77,128

	Notes	**2009 HK$'000**	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale investments		**–**	(737)
Proceeds from disposal of available-for-sale investments		**–**	1,135
Decrease in a short-term note		**–**	22,230
Settlement of derivative financial instruments		**(17,783)**	(41,298)
Receipt from structured deposits		**–**	387,743
Interest received		**29,291**	20,740
Dividend received from available-for-sale investments		**347**	369
Purchases of items of property, plant and equipment	15	**(100,885)**	(121,790)
Additions to properties under construction	19	**(65,355)**	(51,112)
Capital injection in an associate	21	**(1,560)**	–
Proceeds from disposal of items of property, plant and equipment		**2,200**	2,798
Decrease in time deposits with original maturity of over three months		**5**	180,002
Decrease/(increase) in pledged time deposits		**206,864**	(322,492)
Net cash inflow from investing activities		**53,124**	77,588
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares, net	33	**866,966**	–
Redemption of convertible bonds	31	**(11)**	(791,314)
Dividends paid		**(46,214)**	(165,215)
Dividends paid to minority shareholders		**(12,013)**	(42,126)
New bank loans		**214,810**	1,302,767
Repayment of bank loans		**(1,199,813)**	(75,532)
Increase/(decrease) in trust receipt loans, net		**(20,857)**	10,619
Contributions from minority shareholders		**10,266**	19,160
Interest paid		**(72,077)**	(24,005)
Repayment of structured borrowings		**(79,559)**	(15,693)
Net cash inflow/(outflow) from financing activities		**(338,502)**	218,661
NET INCREASE IN CASH AND CASH EQUIVALENTS		**496,585**	373,377
Cash and cash equivalents at beginning of year		**810,807**	422,638
Effect of foreign exchange rate changes, net		**2,378**	14,792
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,309,770**	810,807
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**292,472**	245,117
Time deposits with original maturity of less than three months when acquired		**1,017,298**	565,690
		1,309,770	810,807

Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**280**	420
Prepaid land lease payments	16	**9,878**	10,437
Available-for-sale investments	18	**292**	422
Interests in subsidiaries	20	**977,180**	1,388,456
Interest in an associate	21	**–**	–
Deferred tax assets	32	**–**	26
Total non-current assets		**987,630**	1,399,761
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**1,184**	614
Derivative financial instruments	25	**–**	655
Cash and cash equivalents	26	**1,006,811**	520,355
Total current assets		**1,007,995**	521,624
CURRENT LIABILITIES			
Other payables and accrued liabilities	28	**6,440**	4,341
Tax payable		**18**	18
Derivative financial instruments	25	**–**	107,649
Structured borrowings	30	**–**	22,655
Total current liabilities		**6,458**	134,663
NET CURRENT ASSETS		**1,001,537**	386,961
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,989,167**	1,786,722
NON-CURRENT LIABILITIES			
Interest-bearing bank loan	29	**–**	154,055
Structured borrowings	30	**–**	42,163
Due to subsidiaries	20	**–**	428,826
Total non-current liabilities		**–**	625,044
Net assets		**1,989,167**	1,161,678
EQUITY			
Issued capital	33	**92,428**	60,078
Reserves	34(b)	**1,804,311**	1,092,357
Proposed final dividend	13	**92,428**	9,243
Total equity		**1,989,167**	1,161,678

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

1. CORPORATE INFORMATION

Hung Hing Printing Group Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company 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
- Manufacturing of corrugated cartons
- Trading of paper
- Manufacturing of paper

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a short term note, structured deposits, structured borrowings, derivative financial instruments and available-for-sale investments, which have been measured at fair value, as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements:

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and *HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*[5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity 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; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

The Group's interests in an associate is 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 Group's share of the post-acquisition results and reserves of associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of an associate are included in the Company's income statement to the extent of dividends received and receivable. The Company's interest in an associate is treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

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

Goodwill on acquisitions for which the agreement date is on or after 1 April 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill on acquisitions for which the agreement date is on or after 1 April 2005 (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets other than goodwill (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but 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 such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than properties under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is provided so as to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates and bases used are as follows:

Buildings situated in Hong Kong	Over the lease terms
Buildings situated in Mainland China	Over the shorter of the lease terms and useful lives which is 2.5-10% 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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction. Properties under construction are reclassified to the appropriate category of property, plant and equipment 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. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial assets (Continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for an available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expenses is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement includes any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and structured forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of certain forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of other derivatives are determined with reference to the fair value quoted by investment bankers.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedging (Continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 that are readily convertible into known amounts of cash, 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.

For the purpose of the balance sheets, 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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 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 an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

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

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

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.

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 income statement 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Staff retirement schemes (Continued)

The Group also operates another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") 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 income statement 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 have the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

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 their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of derivative instruments

The fair value of structured derivative instruments is the estimated amount that the Group would receive or pay to terminate these derivative instruments at the balance sheet date, taking into account current market conditions.

Provision for obsolete inventories

Management of the Group reviews an aged analysis of the Group's inventories at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences arising from impairment on receivables to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences on impairment on receivables as at 31 March 2009 was HK$5,126,000 (2008: HK$7,549,000). The Group has not recognised tax losses at 31 March 2009 and 2008. The amount of unrecognised tax losses at 31 March 2009 was HK$277,056,000 (2008: HK$249,643,000). Further details are contained in note 32 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

Impairment allowances on accounts receivable

The Group regularly reviews its portfolio of accounts receivable to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group considers whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of accounts receivable before the decrease can be identified with an individual receivable balance in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs from previous calculation, the provision estimated would be changed.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2009 was nil (2008: HK$3,041,000). More details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 15 and 19 to the financial statements.

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 corrugated carton manufacturing segment;

(c) the paper trading segment; and

(d) the paper manufacturing segment.

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.

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008.

	Paper and carton box printing and manufacturing		Corrugated carton manufacturing		Paper trading		Paper manufacturing		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**1,948,485**	1,770,657	**593,491**	593,045	**331,734**	464,220	**585,185**	830,173	**-**	–	**3,458,895**	3,658,095
Intersegment sales	**50,341**	42,130	**145,730**	116,775	**302,883**	361,997	**137,774**	178,335	**(636,728)**	(699,237)	**-**	–
Total	**1,998,826**	1,812,787	**739,221**	709,820	**634,617**	826,217	**722,959**	1,008,508	**(636,728)**	(699,237)	**3,458,895**	3,658,095
Segment results	**155,708**	159,100	**90,593**	45,490	**54,900**	62,519	**(142,299)**	27,588	**3,418**	(59)	**162,320**	294,638
Interest, dividend income and other gains											**27,033**	31,600
Corporate and unallocated expenses											**(42,007)**	(27,152)
											147,346	299,086
Loss from fire	**-**	–	**-**	–	**-**	–	**(30,331)**	–	**-**	–	**(30,331)**	–
Impairment of property, plant and equipment	**-**	–	**-**	–	**-**	–	**(260,499)**	–	**-**	–	**(260,499)**	–
Impairment of goodwill	**-**	–	**-**	–	**-**	–	**(3,041)**	–	**-**	–	**(3,041)**	–
Impairment of properties under construction	**-**	–	**-**	–	**-**	–	**(27,807)**	–	**-**	–	**(27,807)**	–
Fair value gain/(loss) on derivative financial instruments not qualified as hedges, net											**104,055**	(157,473)
Fair value gain on derivative component of convertible bonds											**-**	32,775
Finance costs											**(66,422)**	(142,744)
Share of loss of an associate	**(1,560)**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(1,560)**	–
Profit/(loss) before tax											**(138,259)**	31,644
Tax											**(27,180)**	(35,039)
Loss for the year											**(165,439)**	(3,395)

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Paper and carton box printing and manufacturing		Corrugated carton manufacturing		Paper trading		Paper manufacturing		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities												
Segment assets	**1,745,606**	1,838,507	**684,774**	779,977	**322,478**	682,314	**385,166**	1,120,003	**(94,714)**	(193,494)	**3,043,310**	4,227,307
Interest in an associate	**504**	–	**–**	–	**–**	–	**–**	–	**–**	–	**504**	–
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,041,487**	565,909
Total assets	**1,746,110**	1,838,507	**684,774**	779,977	**322,478**	682,314	**385,166**	1,120,003	**(94,714)**	(193,494)	**4,085,301**	4,793,216
Segment liabilities	**170,781**	298,848	**52,071**	112,058	**25,175**	54,067	**85,266**	152,513	**(94,714)**	(193,494)	**238,579**	423,992
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**756,462**	1,935,627
Total liabilities	**170,781**	298,848	**52,071**	112,058	**25,175**	54,067	**85,266**	152,513	**(94,714)**	(193,494)	**995,041**	2,359,619
Other segment information:												
Depreciation	**84,844**	70,545	**28,129**	33,628	**2,924**	3,052	**29,196**	26,929	**–**	–	**145,093**	134,154
Unallocated depreciation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**119**	124
	84,844	70,545	**28,129**	33,628	**2,924**	3,052	**29,196**	26,929	**–**	–	**145,212**	134,278
Capital expenditure	**124,618**	145,055	**6,714**	8,184	**1,019**	168	**33,889**	19,152	**–**	–	**166,240**	172,559
Unallocated capital expenditure	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	343
	124,618	145,055	**6,714**	8,184	**1,019**	168	**33,889**	19,152	**–**	–	**166,240**	172,902
Impairment of accounts and bills receivable	**12,523**	16,070	**3,775**	1,550	**1,831**	–	**2,717**	2,807	**–**	–	**20,846**	20,427
Write-down of inventories to net realisable value	**498**	–	**29**	–	**3,628**	–	**59,970**	45	**–**	–	**64,125**	45
Impairment of deposits	**–**	–	**–**	–	**–**	–	**11,300**	–	**–**	–	**11,300**	–

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2009 and 2008.

	Hong Kong		Mainland China		Europe		United States of America		Others		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**1,077,183**	1,315,169	**1,304,296**	1,401,854	**591,765**	528,602	**301,480**	289,168	**184,171**	123,302	**3,458,895**	3,658,095
Other segment information:												
Segment assets	**1,471,252**	1,091,870	**2,413,951**	3,501,917	**118,518**	111,955	**35,026**	52,226	**46,554**	35,248	**4,085,301**	4,793,216
Capital expenditure	**9,928**	13,543	**156,312**	159,359	**-**	–	**-**	–	**-**	–	**166,240**	172,902
Loss from fire	**-**	–	**30,331**	–	**-**	–	**-**	–	**-**	–	**30,331**	–
Impairment of property, plant and equipment	**-**	–	**260,499**	–	**-**	–	**-**	–	**-**	–	**260,499**	–
Impairment of goodwill	**-**	–	**3,041**	–	**-**	–	**-**	–	**-**	–	**3,041**	–
Impairment of properties under construction	**-**	–	**27,807**	–	**-**	–	**-**	–	**-**	–	**27,807**	–
Impairment of accounts and bills receivable	**3,156**	(54)	**13,246**	4,328	**5,013**	18,396	**(770)**	(2,243)	**201**	–	**20,846**	20,427
Write-down of inventories to net realisable value	**787**	–	**63,338**	45	**-**	–	**-**	–	**-**	–	**64,125**	45
Impairment of deposits	**-**	–	**11,300**	–	**-**	–	**-**	–	**-**	–	**11,300**	–

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced sales, net of allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Revenue – Sale of goods	**3,458,895**	3,658,095
Other income and gains:		
Dividend income from available-for-sale investments	**347**	369
Bank interest income	**26,686**	22,460
Fair value gain on structured deposits	**–**	9,051
Gain on disposal of available-for-sale investments	**–**	225
Foreign exchange differences, net	**–**	57,935
Sundry income	**30,610**	22,413
	57,643	112,453

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Group 2009 HK$'000	Group 2008 HK$'000
Depreciation	15	**145,212**	134,278
Recognition of prepaid land lease payments	16	**3,831**	3,863
Auditors' remuneration		**2,921**	2,764
Employee benefit expense (including directors' remuneration – note 8):			
Wages, salaries and other allowances		**547,589**	516,668
Retirement scheme contributions		**31,719**	24,871
Less: Forfeited contributions*		**(69)**	(54)
Net retirement scheme contributions		**31,650**	24,817
Total employee benefit expense		**579,239**	541,485
Minimum lease payments under operating leases in respect of land and buildings		**9,148**	8,042
Foreign exchange differences, net		**3,517**	(57,935)
Impairment of accounts and bills receivable	23	**20,846**	20,427
Impairment of deposits		**11,300**	–
Write-down of inventories to net realisable value**		**64,125**	45
Loss on disposal of items of property, plant and equipment		**2,717**	113
Fair value loss on structured borrowings***	30	**14,741**	6,573
Fair value loss on a short-term note		**–**	865

* At 31 March 2009, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years (2008: Nil).

** The write-down of inventories to net realisable value is included in "Cost of sales" on the face of the consolidated income statement.

*** The net fair value loss on structured borrowings is included in "Other expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	HK$'000
Interests on early redemption of convertible bonds (note 31)	**–**	71,031
Interests on convertible bonds (note 31)	**–**	40,704
Interests on bank loans wholly repayable within five years	**66,422**	31,009
	66,422	142,744

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Non-executive directors	**616**	420
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**7,419**	12,185
Retirement scheme contributions	**213**	400
Discretionary bonuses	**2,494**	8,279
	10,742	21,284

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009	2008
	HK$'000	HK$'000
Yip Yu Bun	**150**	100
Wong Siu Ping	**42**	100
Yap, Alfred Donald	**150**	120
Luk Koon Hoo	**94**	–
	436	320

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses HK$'000	Total remuneration HK$'000
2009					
Executive directors:					
Yam Cheong Hung	–	1,790	64	–	1,854
Yum Chak Ming, Matthew	–	3,127	125	1,598	4,850
Yam Ho Ming, Michael	–	1,153	–	896	2,049
Yam Hon Ming, Tommy	–	704	18	–	722
Sung Chee Keung	–	645	6	–	651
	–	7,419	213	2,494	10,126
Non-executive directors:					
Chu Shu Ho, David	14	–	–	–	14
Yum Pui Ming, Anna	24	–	–	–	24
Peter Martin Springford	71	–	–	–	71
David Murray Lonie	71	–	–	–	71
Ho Chi Kit	–	–	–	–	–
Lam Tsz-Wang, Alvin	–	–	–	–	–
	180	–	–	–	180
	180	7,419	213	2,494	10,306

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Yam Cheong Hung	–	5,564	215	2,309	8,088
Yum Chak Ming, Matthew	–	3,017	124	1,990	5,131
Yam Ho Ming, Michael	–	1,092	–	1,990	3,082
Yam Hon Ming, Tommy	–	2,512	61	1,990	4,563
	–	12,185	400	8,279	20,864
Non-executive directors:					
Chu Shu Ho, David	50	–	–	–	50
Yum Pui Ming, Anna	50	–	–	–	50
	100	–	–	–	100
	100	12,185	400	8,279	20,964

Mr. Ho Chi Kit and Mr. Lam Tsz-Wang, Alvin waived their directors' fees of HK$35,342 and HK$35,342 respectively during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2008: four) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (including two former executive directors resigned on 17 July 2008) (2008: one) highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**7,576**	1,191
Retirement scheme contributions	**204**	48
Discretionary bonuses paid and payable	**557**	778
	8,337	2,017

The number of highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
HK$2,000,001 – HK$2,500,000	**2**	1
HK$3,500,001 – HK$4,000,000	**1**	–
	3	1

10. LOSS FROM FIRE

The loss arose from the write-off of inventories of HK$30,331,000 due to the fire accident in the Group's two PRC subsidiaries during the year. The Group has commenced the process to claim compensation from the insurance company. Up to the date of these financial statements, the estimated amount recoverable from the insurance claim remained uncertain and accordingly, no insurance compensation has been recorded.

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lowered Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009	2008
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**13,210**	20,933
Overprovision in prior years	**(31)**	–
Current – Mainland China		
Charge for the year	**21,827**	21,774
Tax refund#	**(9,557)**	(9,076)
Underprovision/(overprovision) in prior years	**(287)**	60
Deferred tax (note 32)	**2,018**	1,348
Total tax charge for the year	**27,180**	35,039

Under certain PRC local income tax laws, a company is entitled to certain tax refund concession, representing the difference between the statutory tax rate and the reduced concession tax rate, upon successful application as an "export enterprise" whereby more than 70% of its turnover is derived from export sales. During the year, a subsidiary of the Group was granted such status from relevant authorities in respect of its operations in prior years and was entitled to a tax refund.

11. TAX (Continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2009

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	174,050	(312,309)	(138,259)
Tax at the statutory tax rate	28,718	(78,077)	(49,359)
Lower tax rates for specific provinces or enacted by local authority *	–	(5,084)	(5,084)
Effect on opening deferred tax decrease in rates	(749)	–	(749)
Profits not subject to tax, due to concession **	–	(15,384)	(15,384)
Adjustment in respect of current tax of previous periods	(31)	(287)	(318)
Tax refund	–	(9,557)	(9,557)
Loss attributable to an associate	257	–	257
Income not subject to tax	(21,972)	(3,486)	(25,458)
Expenses not deductible for tax	22,798	94,567	117,365
Effect of withholding tax at 5% or 10% on the distributable profits of the Group's PRC subsidiaries	–	1,834	1,834
Tax losses utilised from previous periods	(14,187)	(67)	(14,254)
Tax losses not recognised	116	27,771	27,887
Tax charge at the Group's effective rate	14,950	12,230	27,180

11. TAX (Continued)

Group – 2008

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	(98,195)	129,839	31,644
Tax at the statutory tax rate	(17,184)	32,460	15,276
Lower tax rates for specific provinces or enacted by local authority *	–	(8,834)	(8,834)
Profits not subject to tax, due to concession **	–	(2,701)	(2,701)
Adjustment in respect of current tax of previous periods	–	(60)	(60)
Tax refund	–	(9,076)	(9,076)
Income not subject to tax	(14,378)	(784)	(15,162)
Expenses not deductible for tax	22,323	1,972	24,295
Tax losses utilised from previous periods	–	(542)	(542)
Tax losses not recognised	26,436	5,407	31,843
Tax charge at the Group's effective rate	17,197	17,842	35,039

* Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at rate of 25% (2008: 25%). Pursuant to the notice on the Implementation Rules for Grandfather Policy under the New Corporate Income Tax Law issued by the State Council of the PRC on 26 December 2007, effective from 1 January 2008, the preferential tax rates enjoyed by certain subsidiaries are subject to the annual renewal requirement and the remaining subsidiaries are subject to the unified tax rate of 25%.

** In addition to preferential CIT rates granted to the Group's certain subsidiaries in Mainland China, tax holidays have also been granted by the relevant authorities to these subsidiaries, where CIT is exempted for the first two profitable years of the subsidiaries and is chargeable at half of the applicable rate for the subsequent three years.

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent of HK$1,769,000 (2008: Loss of HK$17,799,000) for the year ended 31 March 2009 includes a profit of HK$6,868,000 (2008: HK$348,781,000) which has been dealt with in the financial statements of the Company (note 34(b)).

13. DIVIDENDS

	2009	2008
	HK$'000	HK$'000
Interim dividend of HK4 cents (2008: HK7.5 cents) per ordinary share	**36,971**	45,059
Proposed final dividend of HK10 cents (2008: HK1.0 cent) per ordinary share	**92,428**	9,243
	129,399	54,302

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

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per share

The calculation of the basic earnings per share (2008: loss per share) amount is based on the profit for the year attributable to equity holders of the parent of HK$1,769,000 (2008: loss of HK$17,799,000) and the weighted average of 837,423,320 (2008: 600,780,529) shares in issue during the year.

(b) Diluted earnings/(loss) per share

A diluted earnings per share amount for the year ended 31 March 2009 has not been disclosed as no diluting events existed during the year. A diluted loss per share amount for the year ended 31 March 2008 had not been presented as the convertible bonds had an anti-dilutive effect on the basic loss per share for that year.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 March 2009					
At 1 April 2008:					
Cost	680,560	1,760,549	36,363	106,286	2,583,758
Accumulated depreciation	(131,061)	(745,906)	(24,627)	(62,267)	(963,861)
Net carrying amount	549,499	1,014,643	11,736	44,019	1,619,897
At 1 April 2008, net of accumulated depreciation	549,499	1,014,643	11,736	44,019	1,619,897
Additions	9,567	84,143	2,533	4,642	100,885
Transfer from properties under construction (note 19)	9,906	30,234	–	2,555	42,695
Disposals	(495)	(3,928)	(351)	(143)	(4,917)
Depreciation provided during the year	(20,897)	(111,989)	(3,658)	(8,668)	(145,212)
Impairment	(62,819)	(195,642)	(576)	(1,462)	(260,499)
Exchange realignment	3,568	5,985	54	146	9,753
At 31 March 2009, net of accumulated depreciation and impairment	488,329	823,446	9,738	41,089	1,362,602
At 31 March 2009:					
Cost	703,749	1,879,876	38,683	113,769	2,736,077
Accumulated depreciation and impairment	(215,420)	(1,056,430)	(28,945)	(72,680)	(1,373,475)
Net carrying amount	488,329	823,446	9,738	41,089	1,362,602

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 March 2008					
At 1 April 2007:					
Cost	611,629	1,570,930	34,892	81,060	2,298,511
Accumulated depreciation	(107,117)	(622,876)	(24,221)	(51,153)	(805,367)
Net carrying amount	504,512	948,054	10,671	29,907	1,493,144
At 1 April 2007, net of accumulated depreciation	504,512	948,054	10,671	29,907	1,493,144
Additions	8,104	100,329	5,268	8,089	121,790
Transfer from properties under construction (note 19)	28,489	21,154	–	13,579	63,222
Disposals	–	(2,081)	(810)	(20)	(2,911)
Depreciation provided during the year	(19,665)	(102,335)	(3,722)	(8,556)	(134,278)
Exchange realignment	28,059	49,522	329	1,020	78,930
At 31 March 2008, net of accumulated depreciation	549,499	1,014,643	11,736	44,019	1,619,897
At 31 March 2008:					
Cost	680,560	1,760,549	36,363	106,286	2,583,758
Accumulated depreciation	(131,061)	(745,906)	(24,627)	(62,267)	(963,861)
Net carrying amount	549,499	1,014,643	11,736	44,019	1,619,897

Certain buildings and plant and machinery of the Group with a total net book value of HK$107,728,000 (2008: HK$306,588,000) have been pledged to secure banking facilities granted to the Group (note 29).

15. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Company

	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 March 2009			
At 31 March 2008 and 1 April 2008:			
Cost	**1,976**	**827**	**2,803**
Accumulated depreciation	**(1,628)**	**(755)**	**(2,383)**
Net carrying amount	**348**	**72**	**420**
At 1 April 2008, net of accumulated depreciation	**348**	**72**	**420**
Additions	**–**	**–**	**–**
Disposals	**(21)**	**–**	**(21)**
Depreciation provided during the year	**(101)**	**(18)**	**(119)**
At 31 March 2009, net of accumulated depreciation	**226**	**54**	**280**
At 31 March 2009:			
Cost	**785**	**827**	**1,612**
Accumulated depreciation	**(559)**	**(773)**	**(1,332)**
Net carrying amount	**226**	**54**	**280**
31 March 2008			
At 1 April 2007:			
Cost	3,002	827	3,829
Accumulated depreciation	(2,826)	(731)	(3,557)
Net carrying amount	176	96	272
At 1 April 2007, net of accumulated depreciation	176	96	272
Additions	343	–	343
Disposals	(71)	–	(71)
Depreciation provided during the year	(100)	(24)	(124)
At 31 March 2008, net of accumulated depreciation	348	72	420
At 31 March 2008:			
Cost	1,976	827	2,803
Accumulated depreciation	(1,628)	(755)	(2,383)
Net carrying amount	348	72	420

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment testing of property, plant and equipment and properties under construction

The Group's subsidiaries, Rengo and Ren Hing (as defined in note 20 to the financial statements), have suffered significant loss from their paper manufacturing operation located at Zhongshan, the PRC, during the current year. As a result of the adverse operating environment, the property, plant and equipment and properties under construction of Rengo and Ren Hing located at Zhongshan are allocated to the following four manufacturing lines for impairment testing:

- Corrugated paper manufacturing line 1 ("PM1");
- Corrugated paper manufacturing line 2 ("PM2") included scrap building only;
- Kraft liner paper manufacturing line 3 ("PM3"); and
- Corrugated paper manufacturing line 4 ("PM4").

PM3

The recoverable amount of PM3 has been determined based on a value in use calculation using a cash flow projection based on financial budgets covering a three-year period approved by senior management. The discount rate applied to the cash flow projections is 12%. The impairment of HK$132,873,000 for PM3 based on the value in use calculation is charged to the Group's consolidated income statement for the year.

PM1, PM2 and PM4

The recoverable amounts of PM1, PM2 and PM4 are also determined based on a value in use calculation using cash flow projections based on financial budgets covering a one-year period approved by senior management. The discount rates applied to each cash flow projections is 12%. In view of the continuous cash outflow from the operations and volatile market condition for the paper products from these three manufacturing lines, the directors of the Group plan to suspend the production in the coming year. Accordingly, the PM1, PM2 and PM4 of approximately HK$33,015,000, HK$3,999,000 and HK$118,419,000, respectively, were considered fully impaired and charged to the Group's consolidated income statement for the year.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment testing of property, plant and equipment and properties under construction (Continued)

The carrying amounts of property, plant and equipment and properties under construction of the four manufacturing lines are as follows:

	Properties under construction HK$'000	Property, plant and equipment HK$'000	Total HK$'000
31 March 2009			
Gross carrying amount	29,995	286,606	316,601
Impairment	(27,807)	(260,499)	(288,306)
Net carrying amount	2,188	26,107	28,295

The key assumptions on which management has based its cash flow projections to undertake impairment testing of property, plant and equipment and properties under construction are:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rate – The discount rate of 12 % is before tax and reflects specific risks relating to the relevant units.

16. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at 1 April	**150,784**	147,700	**10,437**	10,996
Recognised during the year	**(3,831)**	(3,863)	**(559)**	(559)
Exchange realignment	**906**	6,947	**–**	–
Carrying amount at 31 March	**147,859**	150,784	**9,878**	10,437

The Group's leasehold lands are situated in Hong Kong and Mainland China and are held under the following lease terms:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong:				
Medium term leases	**19,968**	20,507	**–**	–
Mainland China:				
Medium term land use rights	**127,891**	130,277	**9,878**	10,437
Carrying amount at 31 March	**147,859**	150,784	**9,878**	10,437

Certain leasehold lands of the Group with a total net book value of HK$50,373,000 (2008: HK$49,728,000) have been pledged to banks to secure banking facilities granted to the Group (note 29).

17. GOODWILL

Group

	HK$'000
At 1 April 2007, at 31 March 2008 and at 1 April 2008	
Cost	3,041
Impairment during the year	(3,041)
Cost and carrying amount at 31 March 2009	–

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permits goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the consolidated retained profits.

The amounts of goodwill remaining in consolidated capital reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$814,000 as at 31 March 2008 and 31 March 2009. The amount of goodwill is stated at its cost.

Impairment testing of goodwill

In prior years, goodwill of HK$3,041,000 arose from the acquisition of Rengo and Ren Hing was allocated to the Group's cash-generating unit (''CGU'') of paper manufacturing in Mainland China. The recoverable amount of the paper manufacturing CGU is determined based on a value in use calculation using cash flow projections as detailed in note 15 to the financial statements for PM1, PM2, PM3 and PM4 (the major assets of the paper manufacturing CGU). As a result of the adverse operating environment of this segment, the goodwill of HK$3,041,000 is fully impaired and charged to the Group's consolidated income statement for the year.

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at fair value	**80**	80	**–**	–
Club debentures, at fair value	**2,838**	6,209	**292**	422
	2,918	6,289	**292**	422
Hong Kong listed equity investments, at market value	**6,867**	8,778	**–**	–
	9,785	15,067	**292**	422

During the year, the net loss on fair values of the Group's available-for-sale investments of HK$5,291,000 (2008: net gain of HK$3,618,000) was recognised directly in the available-for-sale investment revaluation reserve. In the prior year, the Group had also released deficits in prior years of HK$68,000 upon disposal of certain available-for-sale investments.

Available-for-sale investments consist of investments in listed and unlisted ordinary shares and club debentures, and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated by directors having regard to, inter alia, the prices of most recent reported sales or purchases of the securities. The directors believe that the estimated fair values, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the consolidated reserves, are reasonable, and that they are the most appropriate values at the balance sheet date.

19. PROPERTIES UNDER CONSTRUCTION

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 April	**40,844**	50,090
Additions	**65,355**	51,112
Transfer to property, plant and equipment (note 15)	**(42,695)**	(63,222)
Impairment (note 15)	**(27,807)**	–
Exchange realignment	**297**	2,864
At 31 March	**35,994**	40,844

The properties under construction are located in Mainland China.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**407,961**	407,961
Loan to a subsidiary	**55,000**	–
Due from subsidiaries	**667,431**	981,848
	1,130,392	1,389,809
Impairment#	**(153,212)**	(1,353)
	977,180	1,388,456
Due to subsidiaries	**–**	(428,826)

As at 31 March 2009, an aggregate impairment of HK$153,212,000 was recognised for certain unlisted investments with a gross carrying amount of HK$185,614,000 (before deducting the impairment loss) (2008: HK$1,364,000) because the relevant subsidiaries have suffered significant losses.

The balances with subsidiaries are unsecured, interest-free and are not repayable within one year. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	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
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK$100	100	–	Production and trading of paper products and carton boxes
Sun Hing Paper Company, Limited	Hong Kong	HK$100	100	–	Paper trading
Hung Hing Printing (China) Company Limited §§	People's Republic of China (the "PRC")/ Mainland China	HK$566,000,000	–	100	Production and colour printing of paper products
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
Zhongshan Hung Hing Printing & Packaging Company Limited §	the PRC/Mainland China	US$18,000,000	–	56	Printing and manufacturing of paper cartons

20. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhongshan Hung Hing Off-Set Printing Company Limited §	the PRC/ Mainland China	US$5,000,000	–	56	Production and colour printing of paper products
Hung Hing International Limited	British Virgin Islands ("BVI")/Mainland China	US$100	100	–	Investment holding
South Gain Enterprises Limited	Hong Kong	HK$1,700,000	–	56	Selling and purchasing agent
Po Hing Packaging (Shenzhen) Company Limited §§	the PRC/ Mainland China	US$11,200,000	–	100	Printing and manufacturing of paper cartons
Zhongshan South Gain Paper Products Company Limited §§	the PRC/ Mainland China	US$15,000,000	–	56	Printing and manufacturing of paper cartons
Sun Hing Paper (Shenzhen) Company Limited §§	the PRC/ Mainland China	HK$30,000,000	–	100	Paper trading
Hung Hing Packaging (Wuxi) Company Limited §§	the PRC/ Mainland China	US$24,000,000	100	–	Production and colour printing of paper products
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited ("Rengo") §	the PRC/ Mainland China	US$28,830,000	51	8	Paper manufacturing

20. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	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
Zhongshan Ren Hing Paper Manufacturing Company Limited ("Ren Hing") §	the PRC/ Mainland China	US$14,710,000	51	8	Paper manufacturing
Hung Hing Printing (Heshan) Company Limited §§	the PRC/ Mainland China	HK$180,000,000	–	100	Production and colour printing of paper products
Sinope Design Group Limited	Hong Kong	HK$2	100	–	Ceased business
Jun Hing Company Limited§§	the PRC/ Mainland China	HK$4,200,000	–	100	Paper trading

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.

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

21. INTEREST IN AN ASSOCIATE

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**1,560**	–	**1,560**	–
Share of net assets	**(1,560)**	–	**(1,560)**	–
	–	–	**–**	–
Amount due from an associate	**504**	–	**–**	–
	504	–	**–**	–

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associate are as follows:

Name	Registered capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activity
Graphic Hung Hing Packaging (Shanghai) Limited	US$1,000,000	the PRC	40	Provision of beverage packaging services

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

	2009	2008
	HK$'000	HK$'000
Assets	**8,924**	–
Liabilities	**9,760**	–
Revenues	**3,207**	–
Loss	**3,900**	–

22. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**341,799**	671,813
Work in progress	**57,796**	67,382
Finished goods	**104,362**	116,605
	503,957	855,800

23. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 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. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivable are non-interest-bearing.

	Group	
	2009	2008
	HK$'000	HK$'000
Accounts receivable	**544,071**	818,911
Impairment	**(33,271)**	(38,746)
	510,800	780,165
Bills receivable	**27,495**	111,030
	538,295	891,195

23. ACCOUNTS AND BILLS RECEIVABLE (Continued)

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within 30 days	**173,894**	355,498
31 to 60 days	**134,462**	158,898
61 to 90 days	**79,328**	139,143
Over 90 days	**123,116**	126,626
	510,800	780,165

The movements in provision for impairment of accounts receivable are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 April	**38,746**	26,843
Impairment losses recognised (note 6)	**20,846**	20,427
Amount written off as uncollectible	**(26,422)**	(9,603)
Exchange realignment	**101**	1,079
At 31 March	**33,271**	38,746

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$23,851,000 (2008: HK$32,398,000) with a gross carrying amount of HK$28,098,000 (2008: HK$36,712,000). The individually impaired accounts receivable relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

23. ACCOUNTS AND BILLS RECEIVABLE (Continued)

An aged analysis of the accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**320,655**	555,699
Less than 1 month past due	**90,022**	120,028
Over 1 month past due	**100,123**	104,438
	510,800	780,165

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments and deposits	**34,708**	51,214	**130**	251
Other receivables	**6,085**	10,184	**1,054**	363
	40,793	61,398	**1,184**	614

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Forward currency contracts	**3,691**	4,734	**–**	–
Structured forward currency contracts	**–**	655	**–**	655
	3,691	5,389	**–**	655
Liabilities				
Forward currency contracts	**–**	27,106	**–**	10,442
Structured forward currency contracts	**–**	97,207	**–**	97,207
Interest rate swaps	**6,858**	2,369	**–**	–
	6,858	126,682	**–**	107,649

The carrying amounts of forward currency contracts, structured forward currency contracts and interest rate swaps approximate to their fair values. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

Forward currency contracts and structured forward currency contracts

The Group has entered into various forward currency contracts and structured forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The net fair value gain of non-hedging currency derivatives amounting to HK$104,055,000 was credited to the consolidated income statement during the year (2008: loss of HK$157,473,000).

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Interest rate swaps – cash flow hedge

At 31 March 2009, the Group had interest rate swap agreements in place with notional amounts, in aggregate, of HK$250,000,000 whereby it receives interest at variable rates equal to HIBOR on the notional amounts and pays interest at fixed rates ranging between 2.75% and 2.89% for a period of three years. The swap is used to hedge the exposure to variability of cash flows that is attributable to the Group's bank borrowings. These bank borrowings and the interest rate swap agreements have the same critical terms and the hedge of the interest rate swaps has been assessed to be highly effective. The decrease in fair value of this cash flow hedge net of deferred tax during the year ended 31 March 2009 of HK$3,773,000 (2008: HK$1,954,000) was included in the hedging reserve.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**292,472**	245,117	**40,360**	27,210
Time deposits	**1,133,424**	888,685	**966,451**	493,145
	1,425,896	1,133,802	**1,006,811**	520,355
Less: Pledged time deposits	**(115,628)**	(322,492)	**–**	–
Cash and cash equivalents	**1,310,268**	811,310	**1,006,811**	520,355

At the balance sheet date, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$306,199,000 (2008: HK$530,868,000). 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

27. ACCOUNTS AND BILLS PAYABLE

	Group	
	2009	2008
	HK$'000	HK$'000
Accounts payable	**107,842**	264,133
Bills payable	**20,592**	–
	128,434	264,133

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within 30 days	**68,819**	184,073
31 to 60 days	**27,171**	55,491
61 to 90 days	**2,045**	11,294
Over 90 days	**9,807**	13,275
	107,842	264,133

The accounts payable are non-interest-bearing and are normally settled on 30-day terms.

28. OTHER PAYABLES AND ACCRUED LIABILITIES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**34,530**	41,274	**2,323**	187
Accrued liabilities	**89,027**	123,701	**4,117**	4,154
	123,557	164,975	**6,440**	4,341

Other payables are non-interest-bearing and have an average term of three months.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate		Maturity		Group	
	2009	2008	**2009**	2008	**2009**	2008
					HK$'000	HK$'000
Current						
Bank loans – unsecured	**2-8%**	2-6%	**2009**	2008	**120,756**	351,886
Bank loans – secured	**2-9%**	4-7%	**2009**	2008	**216,397**	412,610
Trust receipt loans	**–**	2-3%	**2009**	2008	**–**	20,857
					337,153	785,353
Convertible bonds (note 31)	**–**	6%	**–**	On demand	**–**	11
					337,153	785,364
Non-current						
Bank loans – unsecured	**1-3%**	2-4%	**2010-2012**	2009-2012	**335,825**	893,485
					335,825	893,485
					672,978	1,678,849

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Effective interest rate 2009	Effective interest rate 2008	Maturity 2009	Maturity 2008	Company 2009 HK$'000	Company 2008 HK$'000
Non-current						
Bank loan – unsecured	–	2-4%	–	2011	–	154,055

	Group 2009 HK$'000	Group 2008 HK$'000
Analysed into:		
Bank loans, bank overdrafts and trust receipt loans repayable:		
Within one year or on demand	**337,153**	785,353
In the second year	**160,799**	76,310
In the third to fifth years, inclusive	**175,026**	817,175
	672,978	1,678,838
Convertible bonds repayable:		
Within one year	–	11
	672,978	1,678,849

	Company 2009 HK$'000	Company 2008 HK$'000
Bank loan repayable in the third to fifth years, inclusive	–	154,055

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) The Group's banking facilities amounting to HK$253,620,000 (2008: HK$445,673,000), of which HK$216,397,000 (2008: HK$412,610,000) had been utilised as at the balance sheet date, are secured by the pledge of certain of the Group's buildings, plant and machinery, prepaid land lease payments and time deposits, which had an aggregate carrying value at the balance sheet date of approximately HK$273,729,000 (2008: HK$678,808,000) (notes 15, 16 and 26).

(b) All interest-bearing bank and other borrowings are denominated in Hong Kong dollars, except for the followings:

(i) secured bank loans of HK$124,175,000 (2008: HK$32,366,000) and unsecured bank loans of HK$11,299,000 (2008: HK$22,321,000) denominated in Renminbi; and

(ii) secured bank loans of HK$4,054,000 (2008: HK$199,995,000) and unsecured bank loans of nil (2008: HK$167,277,000) denominated in United States dollars ("US$").

Other interest rate information:

	Group			
	2009		2008	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Bank loans – unsecured	**250,000**	**206,581**	250,000	995,371
Bank loans – secured	**107,807**	**108,590**	330,569	82,041
Trust receipt loans	**–**	**–**	–	20,857

	Company			
	2009		2008	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Bank loan – unsecured	**–**	**–**	–	154,055

The carrying amounts of the Group's borrowings approximate to their fair values. The fair values of borrowings have been calculated by discounting their expected future cash flows at prevailing interest rates at 31 March 2009.

The fair value of the liability portion of the convertible bonds was calculated with reference to the market value of the convertible bonds and the fair value of the derivative component of the convertible bonds. The fair value of other borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

30. STRUCTURED BORROWINGS

During the year ended 31 March 2007, the Group entered into two contracts of structured borrowings with a bank for a period of five years. The two entire contracts were designated as financial liabilities at fair value through profit or loss. During the year ended 31 March 2009, the Group early terminated these two structured borrowings contracts.

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Structured borrowings classified as:		
Current #	**–**	22,655
Non-current	**–**	42,163
	–	64,818

The structured borrowings, which contained embedded derivatives, were managed in accordance with the Group's documented risk management policies and were evaluated on a fair value basis. The embedded derivatives were closely related to the host contracts, and hence the two entire combined contracts were designated as financial liabilities at fair value through profit or loss upon initial recognition. The net fair value loss amounting to HK$14,741,000 was charged to the income statement during the year (2008: HK$6,573,000) (note 6).

The current portion represented the minimum amount repayable to the bank within one year.

Major terms of the structured borrowings are set out below:

Notional amount	Upfront payment	Maturity date	Payment terms
US$50,000,000	US$5,000,000	8 September 2011	First half year: 2%; Remaining 4 and a half years: 7.95% – (6.00% x N/M)
US$50,000,000	US$5,000,000	18 January 2012	Payment: 10%; Receipt: 8%, if Knock-In Condition is not met; or 8% x n/m, once Knock-In Condition is met

30. STRUCTURED BORROWINGS (Continued)

The calculation of interest was based on the notional amount and semi-annually with a 30/360 day count basis.

Where:

"N"	=	number of business days that CMS10y – CMS2y > –0.05% in the period
"M"	=	total number of business days in the period
"n"	=	number of business days that CMS10y – CMS2y > 0.20% in the period
"m"	=	total number of business days in the period
"CMS10y"	=	mid-market semi-annual swap rate expressed as a percentage for a US$ interest rate swap transaction with a term equal to 10 years which appears on the Reuters screen ISDAFIX1 Page at 11:00 a.m. New York time on each day in the accrual period
"CMS2y"	=	mid-market semi-annual swap rate expressed as a percentage for a US$ interest rate swap transaction with a term equal to 2 years which appears on the Reuters screen ISDAFIX1 Page at 11:00 a.m. New York time on each day in the accrual period
"Knock-In Condition"	=	when the 3-month LIBOR is less than 4.80%

31. CONVERTIBLE BONDS

On 29 March 2006, Greatest Joy Investments Limited, a subsidiary of the Company, issued 5-year zero coupon guaranteed convertible bonds with a nominal value of HK$750,000,000. The bonds were listed on the Stock Exchange of Hong Kong Limited. The bonds were convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK$0.10 each of the Company on or after 13 April 2007 up to and including 22 March 2011 at an initial conversion price of HK$6.76 per share. The conversion price was subsequently changed to HK$6.46, HK$6.32, HK$6.02, HK$5.88 per share on 28 August 2006, 29 December 2006, 31 August 2007 and 5 January 2008, respectively. The Group had an option to settle the conversion requested by bondholders in cash. The bonds were redeemable at the option of the bondholders at 105.51% of their principal amount two years after the issuance date on 29 March 2008. Any convertible bonds not converted will be redeemed on 29 March 2011 at 114.35% of their principal amount. When the bonds were issued, the prevailing market interest rate for similar bonds without the conversion option was higher than the interest rate at which the bonds were issued.

31. CONVERTIBLE BONDS (Continued)

The fair value of the derivative component was estimated at the issuance date using an option pricing model and the change in fair value of that component is recognised in the consolidated income statement. The residual amount is assigned as the liability component.

Bonds of a total nominal amount of HK$11,000 (2008: HK$749,990,000) were redeemed by the bondholders by 28 April 2008.

The convertible bonds issued in 2006 had been split as to the derivative and liability components, and the movements in the derivative and liability components were as follows:

	HK$'000
Liability component at 1 April 2007	679,590
Interest expenses	40,704
Interests on early redemption of convertible bonds	71,031
Redemption of convertible bonds on 31 March 2008	(791,314)
Liability component at 31 March 2008 and 1 April 2008	11
Redemption of convertible bonds on 28 April 2008	(11)
Liability component at 31 March 2009 (note 29)	–
Derivative component at 1 April 2007	32,775
Fair value gain recognised during the year	(32,775)
Derivative component at 31 March 2008, 1 April 2008 and 31 March 2009	–

32. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	Provision for impairment of accounts receivable HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1 April 2007	41,232	(3,768)	–	(914)	36,550
Deferred tax charged/(credited) to the income statement during the year (note 11)	5,002	(1,901)	–	462	3,563
Deferred tax credited to equity during the year	–	–	–	(228)	(228)
Exchange realignment	1,133	(117)	–	(99)	917
At 31 March 2008 and 1 April 2008	47,367	(5,786)	–	(779)	40,802
Deferred tax charged/(credited) to the income statement during the year (note 11)	(2,535)	1,100	1,834	(1,106)	(707)
Deferred tax credited to equity during the year	–	–	–	(467)	(467)
Exchange realignment	204	(17)	–	(18)	169
At 31 March 2009	45,036	(4,703)	1,834	(2,370)	39,797

32. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Decelerated tax depreciation	Provision for impairment of accounts receivable	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	(1,977)	(2,544)	(210)	(4,731)
Deferred tax charged/(credited) to the income statement during the year (note 11)	52	951	(3,218)	(2,215)
Deferred tax credited to equity during the year	–	–	(187)	(187)
Exchange realignment	(207)	(170)	(225)	(602)
At 31 March 2008 and 1 April 2008	(2,132)	(1,763)	(3,840)	(7,735)
Deferred tax charged/(credited) to the income statement during the year (note 11)	1,289	973	463	2,725
Deferred tax credited to equity during the year	–	–	(250)	(250)
Exchange realignment	316	367	229	912
At 31 March 2009	(527)	(423)	(3,398)	(4,348)

32. DEFERRED TAX (Continued)

The Group has tax losses arising in Hong Kong of HK$81,632,000 (2008: HK$168,264,000) and in Mainland China of HK$195,424,000 (2008: HK$81,379,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, those arising in Mainland China being due to expire within a maximum period of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. The applicable rate for the Group is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax liabilities/(assets)

Company

	Accelerated tax depreciation HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2007, 31 March 2008 and 1 April 2008	41	(67)	(26)
Deferred tax debited/(credited) to the income statement during the year	(41)	67	26
At 31 March 2009	–	–	–

33. SHARE CAPITAL

	2009 Number of shares	2008 Number of shares	2009 HK$'000	2008 HK$'000
Authorised ordinary shares of HK$0.10 each	**1,200,000,000**	800,000,000	**120,000**	80,000
Issued and fully paid ordinary shares of HK$0.10 each	**924,280,974**	600,780,529	**92,428**	60,078

(a) Pursuant to an ordinary resolution passed on 30 June 2008, the authorised ordinary share capital of the Company was increased from 800,000,000 to 1,200,000,000 by the creation of 400,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) On 8 July 2008, ordinary shares of 323,500,445 of HK$0.10 each were issued for cash at a subscription price of HK$2.70 per share pursuant to the subscription agreement with Asia Packaging Company Limited for a total cash consideration, before expenses, of HK$873,451,000.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2007 and 1 April 2008	600,780,529	60,078	724,845	784,923
Issue of shares (b)	323,500,445	32,350	841,101	873,451
Share issue expenses	–	–	(6,485)	(6,485)
At 31 March 2009	924,280,974	92,428	1,559,461	1,651,889

34. RESERVES

(a) Group

(i) 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.

(ii) 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 boards of directors of the relevant subsidiaries and the use thereof is governed by the relevant laws and regulations of Mainland China.

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2007		724,845	966	(424)	72,446	797,833
Gains on cash flow hedge		–	–	45	–	45
Profit for the year	12	–	–	–	348,781	348,781
Interim 2007 dividend	13	–	–	–	(45,059)	(45,059)
Proposed final 2008 dividend	13	–	–	–	(9,243)	(9,243)
At 31 March 2008 and 1 April 2008		724,845	966	(379)	366,925	1,092,357
Issue of shares	33	841,101	–	–	–	841,101
Share issue expenses	33	(6,485)	–	–	–	(6,485)
Change in fair value of an available-for-sale investment		–	–	(131)	–	(131)
Profit for the year	12	–	–	–	6,868	6,868
Interim 2008 dividend	13	–	–	–	(36,971)	(36,971)
Proposed final 2009 dividend	13	–	–	–	(92,428)	(92,428)
At 31 March 2009		1,559,461	966	(510)	244,394	1,804,311

35. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2009 HK$'000	2008 HK$'000
Rentals paid to a director and a company in which a director of the Company is a controlling shareholder	(i)	**310**	1,278
Adviser fee paid to companies in which the non-executive directors of the Company are controlling shareholders	(ii)	**1,237**	–

Notes:

(i) The rentals paid to a director and a company in which a director of the Company is a controlling shareholder were in connection with the housing benefits provided to Mr. Yam Hon Ming, Tommy, a former executive director of the Company resigned on 17 July 2008, and were determined based on estimated open market rentals. The rentals have been included in the directors' remuneration in note 8 to the financial statements.

(ii) The adviser fee paid to the companies in which the non-executive directors of the Company are controlling shareholders was charged based on a mutually agreed basis.

(b) Outstanding balances with related parties

There were no outstanding balances with related parties as at 31 March 2009 (2008: Nil).

(c) Compensation of key management personnel of the Group

	2009 HK$'000	2008 HK$'000
Short-term employment benefits	**30,723**	34,177
Post-employment benefits	**617**	674
	31,340	34,851

36. CONTINGENT LIABILITIES

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries and an associate	**13,950**	–	**1,423,240**	1,734,218
Amount of banking facilities with the Company's guarantees utilised by subsidiaries and an associate	**–**	–	**456,581**	1,046,339
Guarantee given to a subsidiary for the settlement of convertible bonds issued	**–**	–	**–**	11

At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of guarantees.

37. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by the assets of the Group, are included in note 29 to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to fifty years, and those for staff quarters for terms ranging from one to two years.

At 31 March 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,950**	4,562	**360**	300
In the second to fifth years, inclusive	**8,891**	8,628	**300**	–
After five years	**68,427**	69,766	**–**	–
	82,268	82,956	**660**	300

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for, but not provided for:				
Land and buildings	**7,679**	35,344	**–**	–
Plant and machinery	**9,553**	59,727	**–**	–
Capital contribution payable to an associate	**1,550**	–	**1,550**	–
	18,782	95,071	**1,550**	–

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	9,785	9,785
Accounts and bills receivable	–	538,295	–	538,295
Other receivables (note 24)	–	6,085	–	6,085
Derivative financial instruments	3,691	–	–	3,691
Amount due from an associate (note 21)	–	504	–	504
Pledged time deposits	–	115,628	–	115,628
Cash and cash equivalents	–	1,310,268	–	1,310,268
	3,691	1,970,780	9,785	1,984,256

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	– designated as such upon initial recognition HK$'000	– held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts and bills payable	–	–	128,434	128,434
Other payables (note 28)	–	–	34,530	34,530
Derivative financial instruments	–	6,858	–	6,858
Interest-bearing bank and other borrowings	–	–	672,978	672,978
	–	6,858	835,942	842,800

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2008

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	15,067	15,067
Accounts and bills receivable	–	891,195	–	891,195
Other receivables (note 24)	–	10,184	–	10,184
Derivative financial instruments	5,389	–	–	5,389
Pledged time deposits	–	322,492	–	322,492
Cash and cash equivalents	–	811,310	–	811,310
	5,389	2,035,181	15,067	2,055,637

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	– designated as such upon initial recognition HK$'000	– held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts and bills payable	–	–	264,133	264,133
Other payables (note 28)	–	–	41,274	41,274
Derivative financial instruments	–	126,682	–	126,682
Convertible bonds	–	–	11	11
Interest-bearing bank and other borrowings	–	–	1,678,838	1,678,838
Structured borrowings	64,818	–	–	64,818
	64,818	126,682	1,984,256	2,175,756

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2009

Company

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	292	292
Other receivables (note 24)	–	1,054	–	1,054
Loan to a subsidiary (note 20)	–	55,000	–	55,000
Due from subsidiaries (note 20)	–	667,431	–	667,431
Cash and cash equivalents	–	1,006,811	–	1,006,811
	–	1,730,296	292	1,730,588

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition HK$'000	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Other payables (note 28)	–	–	2,323	2,323
	–	–	2,323	2,323

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2008

Company

Financial assets

	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available–for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments	–	–	422	422
Other receivables (note 24)	–	363	–	363
Derivative financial instruments	655	–	–	655
Cash and cash equivalents	–	520,355	–	520,355
	655	520,718	422	521,795

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	– designated as such upon initial recognition	– held for trading	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables (note 28)	–	–	187	187
Derivative financial instruments	–	107,649	–	107,649
Interest-bearing bank loan	–	–	154,055	154,055
Structured borrowings	64,818	–	–	64,818
	64,818	107,649	154,242	326,709

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, convertible bonds and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivable and accounts and bills payable, which arise directly from its operations.

The Group enters into derivative transactions, including principally forward currency contracts and structured forward currency contracts for trading purposes. The Group also enters into interest rate swaps of which the purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, market risk and liquidity risk. The policies to mitigate each of these risks are summarised below. The board manages and monitors these risks to ensure that appropriate measures are implemented in a timely and effective manner. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's main interest rate risk exposure relates to its Renminbi and Hong Kong dollar bank borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses interest rate swaps to manage its long-term borrowings which bear floating interest rates. At 31 March 2009, the Group had approximately 53% (2008: 35%) of bank borrowings which bear fixed interest rates.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

		Group		Company	
	Increase/ (decrease) in basis points	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity*	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity*
		HK$'000	HK$'000	HK$'000	HK$'000
2009					
Hong Kong dollar	**50**	**2,293**	**2,038**	**3,649**	**–**
Hong Kong dollar	**(50)**	**(2,293)**	**(2,038)**	**(3,649)**	**–**

		Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
		HK$'000	HK$'000	HK$'000	HK$'000
2008					
Hong Kong dollar	50	61	3,071	1,774	–
Hong Kong dollar	(50)	(61)	(3,071)	(1,774)	–

* Excluding retained earnings

Foreign currency risk

The Group is subject to foreign currency risk arising from future commercial transactions, recognised assets and liabilities. The majority of the Group's transactions, balances and investments are denominated in HK$, US$, British pound ("GBP") and RMB. When there are significant foreign currency transactions other than the above currencies, the Group will use forward currency contracts and structured forward currency contracts to manage the foreign currency exposure. The forward currency contracts and structured forward currency contracts must be in the same currency as the hedged item.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the balance sheet date (excluding those derivative financial instrument contracts that were already knock-out or terminated subsequent to the balance sheet date and up to the date of approval of these financial statements) to a reasonably possible change in the US$, GBP and RMB exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

2009

Financial instruments denominated in or linked to currency denominated in:	Increase in exchange rate of denominated currency against HK$		Decrease in loss before tax		Decrease in exchange rate of denominated currency against HK$		Increase in loss before tax	
	Group	Company	Group	Company	Group	Company	Group	Company
	%	%	HK$'000	HK$'000	%	%	HK$'000	HK$'000
US$	0.5	0.5	2,015	1,083	(0.5)	(0.5)	(2,015)	(1,083)
GBP	1.0	1.0	118	-	(1.0)	(1.0)	(118)	-
RMB	0.5	3.0	1,532	-	(0.5)	(3.0)	(1,532)	-

2008

	Increase in exchange rate of denominated currency against HK$		Increase/(decrease) in profit before tax		Decrease in exchange rate of denominated currency against HK$		Increase/(decrease) in profit before tax	
	Group	Company	Group	Company	Group	Company	Group	Company
	%	%	HK$'000	HK$'000	%	%	HK$'000	HK$'000
US$	0.5	0.5	1,643	535	(0.5)	(0.5)	(5,859)	(4,751)
GBP	1.0	1.0	(2,222)	(2,357)	(1.0)	(1.0)	959	1,094
RMB	0.5	3.0	9,522	(3,363)	(0.5)	(3.0)	(9,659)	3,166

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group's credit risk is primarily attributable to its accounts and bills receivable. The Group has been largely dependent on a large number of customers for a substantial portion of its business. In order to minimise the credit risk, management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is properly managed and significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group's concentration of credit risk mainly arises in the United States of America, Mainland China, Europe and Hong Kong. There are no significant concentrations of credit risk within the Group as the Group's accounts and bills receivable relate to a large number of diversified customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts and bills receivable are disclosed in note 23 to the financial statements.

Market risk

Market risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, foreign exchange rates and equity prices. The Group is exposed to market risk through its holding of derivative financial instruments and other investments.

The Group has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control various trading transactions in a timely and accurate manner.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objectives are to maintain sufficient cash and to ensure the availability of funding through an adequate amount of committed banking facilities. The Group aims to maintain flexibility in funding by keeping committed banking facilities available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds, other interest-bearing loans and structured borrowings. The Group's policy is that not more than 80% of borrowings should mature in any 12-month period. 50% of the Group's debts (defined as the aggregate of convertible bonds, interest-bearing bank and other borrowings and structured borrowings) would mature in less than one year as at 31 March 2009 (2008: 46%) based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

		2009	
	Less than 1 year HK$'000	**Over 1 year HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**337,153**	**335,825**	**672,978**
Accounts and bills payable	**128,434**	**–**	**128,434**
Other payables	**34,530**	**–**	**34,530**
Derivative financial instruments	**6,858**	**–**	**6,858**
	506,975	**335,825**	**842,800**

		2008	
	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Convertible bonds	11	–	11
Interest-bearing bank and other borrowings	785,353	893,485	1,678,838
Accounts payable	264,133	–	264,133
Other payables	41,274	–	41,274
Derivative financial instruments	126,682	–	126,682
Structured borrowings	22,655	42,163	64,818
	1,240,108	935,648	2,175,756

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Company

	2009		
	Less than 1 year HK$'000	**Over 1 year HK$'000**	**Total HK$'000**
Other payables	2,323	–	2,323
	2,323	–	2,323

	2008		
	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Interest-bearing bank loan	–	154,055	154,055
Other payables	187	–	187
Derivative financial instruments	107,649	–	107,649
Structured borrowings	22,655	42,163	64,818
Due to subsidiaries	–	428,826	428,826
	130,491	625,044	755,535

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2009 and 2008.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

	2009 HK$'000	2008 HK$'000
Total current assets	**2,524,209**	2,955,848
Total current liabilities	**619,419**	1,383,169
Net current assets	**1,904,790**	1,572,679
Current ratio	**4.08**	2.14

42. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, on 25 June 2009, the Group entered into two acquisition agreements to acquire 10% and 5% of the equity interests in each of the following subsidiaries, namely Zhongshan Hung Hing Printing & Packaging Company Limited, Zhongshan Hung Hing Off-Set Printing Company Limited and South Gain Enterprises Limited, from LeMonde Inc. and Homegrace Consultants Limited, respectively (the "Acquisition"). The Group will pay aggregate amounts of HK$45,703,241 and HK$22,851,621 to LeMonde Inc. and Homegrace Consultants Limited, respectively, for the Acquisition. Following the Acquisition, the three subsidiaries will remain as subsidiaries of the Group.

On the same day, the Group entered into two disposal agreements to dispose of 25% and 5% of the equity interests in each of the following subsidiaries, namely Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited, to each of LeMonde Inc. and Homegrace Consultants Limited, respectively (the "Disposal"). The Group will receive aggregate amounts of RMB8,333,333 and RMB1,666,667 from LeMonde Inc. and Homegrace Consultants Limited, respectively, for the Disposal. Following the Disposal, the two subsidiaries will be accounted for as associates of the Group.

Details of the above transactions are set out in the Company's announcement dated 6 July 2009.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 July 2009.

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