



2010

Annual Report 年報



鴻興印刷集團有限公司
HUNG HING Printing Group Limited

(Stock Code 股份代號 : 0450)

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Corporate Profile

Founded in 1950 as a small printing shop in Hong Kong, Hung Hing has developed over the past six decades into one of the largest and most trusted printers in Asia, with significant operations in book and packaging printing, consumer product packaging, corrugated box manufacturing and paper trading.

Headquartered at the Tai Po Industrial Estate in Hong Kong, Hung Hing has four plants across China, including three in the Guangdong province in Shenzhen, Zhongshan and Heshan, and one in Wuxi, near Shanghai. Its total production floor space reaches 500,000 square meters, with a workforce of over 11,000 in Hong Kong and China.

With a strong emphasis on providing reliable and value-added services to achieve customers' success, Hung Hing harnesses the latest in technology and ideas to create print solutions through sustainable operating practices, and services multinational corporations from the US and Europe as well as companies from Hong Kong and China.

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.



Our Proud History of 60 Years

At Hung Hing, we are proud of our 60 years of printing and packaging excellence, which has seen the Group grow from a small printing house to one of the largest printing solution providers in Asia with an extensive global outreach.



1950

Founded as a small printing shop in Central, Hong Kong, by Mr. Yam Cheong Hung, currently Honorary Chairman of the Group

Printing shop in Central



1959

Diversified into the printing and manufacturing of paper and carton boxes

1966

Began operation in corrugated carton manufacturing



1970

Expanded into paper trading business



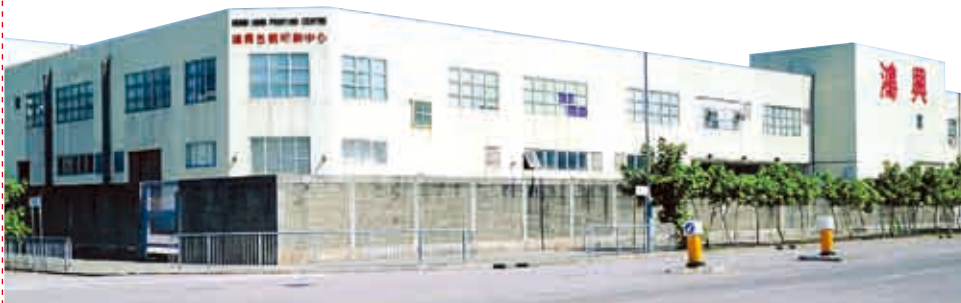
stock code

0450

1989

Relocated to Tai Po Industrial Estate in Hong Kong with a workforce of 200 and a floor space of over 280,000 square feet

Tai Po plant



1992

Listed on the Stock Exchange of Hong Kong
Established a 51%-owned JV in Zhongshan, China

Zhongshan plant



1994

Established the print and packaging plant in Shenzhen, China

Shenzhen plant



1995

Formed a new JV in paper manufacturing in Zhongshan, China with 35% stake
Headcount increased to 3,500



2000

Established a new plant in Shenzhen for children's book printing

2003

Established a new printing plant in Wuxi, near Shanghai, China

2004

Established the logistics warehouse in Shenzhen, China, as well as a new plant in Zhongshan, China

Shenzhen plant



Wuxi plant



Shenzhen logistics warehouse



Celebrated
our
60th
anniversary

2008

Introduced Asia Packaging Co. Ltd. as the Group's largest shareholder
Heshan plant commenced full operation

Heshan plant



2009

Increase stake in the three printing and packaging companies in Zhongshan to 71%

Zhongshan plant



2010

With its headquarters in Tai Po, Hong Kong, four plants in China and a workforce of over 11,000 people, Hung Hing is currently the world's leading printing solution provider with customers spanning most part of the world

and onwards . . .

Corporate Information

Honorary Chairman

Yam Cheong Hung

Chairman

Peter Martin Springford,
Non-Executive Director

Executive Directors

Yum Chak Ming, Matthew, Managing Director
Sung Chee Keung

Non-Executive Directors

Ho Chi Kit
Lam Tsz-Wang, Alvin
Mak Lok Qun, Denise
Yam Ho Ming, Michael

Independent Non-Executive Directors

Yap, Alfred Donald
Luk Koon Hoo
Lo Chi Hong

Advisers

Chu Shu Ho, David, JP
Leung Pak To

Company Secretary

Tung Yu Bui

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.

Auditor

PricewaterhouseCoopers

Share Registrar

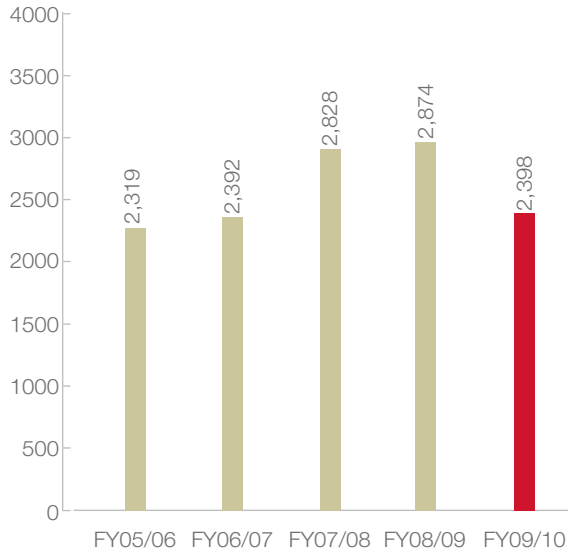
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Financial Highlights

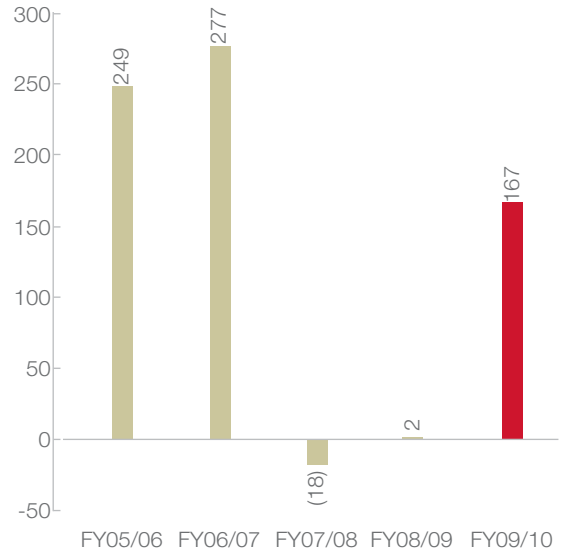
Year ended 31March	2010	2009	percentage
	HK\$'000	HK\$'000	change
Continuing Operations			
– Revenue	2,397,850	2,873,710	-17
– Profit	165,579	304,636	-46
Discontinued Operations			
– Profit/(Loss)	19,117	(470,075)	N/A
Profit Attributable to Equity Holders of the Company	166,604	1,769	+9318
Property, Plant and Equipment	1,304,175	1,362,602	-4
Net Current Assets	1,747,051	1,905,294	-8
Total Assets	3,822,966	4,088,114	-6
Equity Attributable to Equity Holders of the Company	2,859,088	2,874,115	-1
Earnings per Share (HK cents)	18.2	0.2	+9000
Dividends per Share (HK cents)	23	14	+64

Financial Highlights

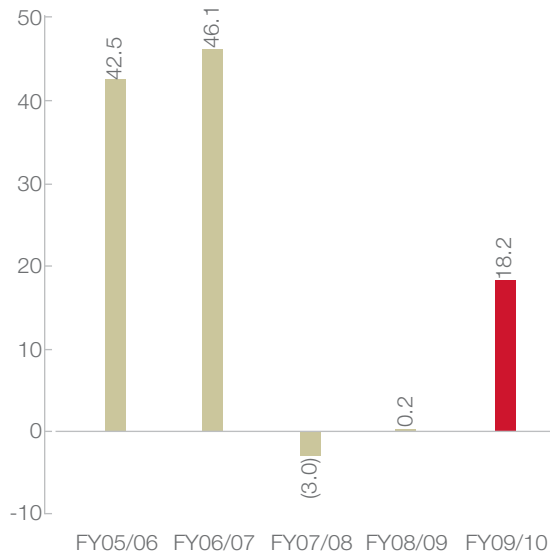
Revenue
HK\$ million



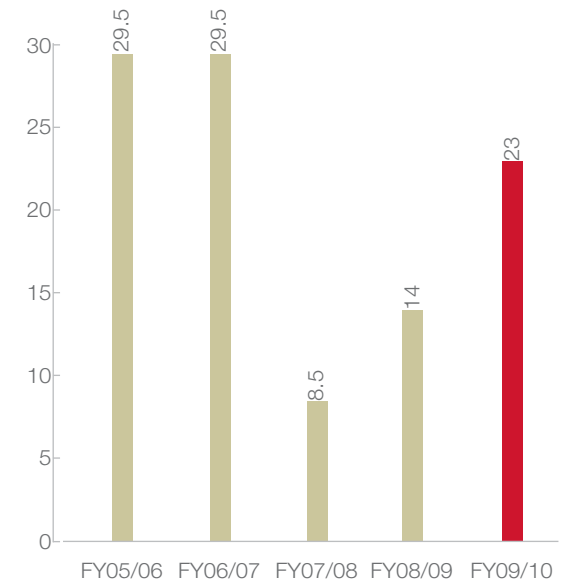
Profit/(Loss) Attributable to Equity Holders
of the Company
HK\$ million



Earnings/(Loss) per Share
HK cents



Dividends per Share
HK cents



Chairman's Statement

Chairman
Peter Martin Springford

 With unrivalled market leadership, well-balanced portfolio and sustained growth for over six decades, Hung Hing is in an excellent position to take advantage of growing opportunities as the economic recovery continues to build momentum.



During the year under review, the Group sold down its majority shareholding in its paper manufacturing business. Profit from the Group's continuing operations, including Book and Package Printing, Consumer Product Packaging, Corrugated Box and Paper Trading, amounted to a total of HK\$166 million, while the paper manufacturing business, which is now a de-consolidated and discontinued operation, contributed an additional HK\$19 million, bringing the total profit for the year to HK\$185 million. Profit attributable to the equity holders of the Company was HK\$167 million, representing a significant increase when compared to the HK\$2 million recorded in the previous year.

Just like many other corporations around the world which faced adversity following the global financial crisis, Hung Hing also experienced a challenging economic and operating climate. During the year under review, sales revenue declined by 17% to HK\$2,398 million due to soft customer demand and lower prices. Company-wide initiatives focusing on efficiency and productivity enhancements helped Hung Hing mitigate partially the pressure on pricing and margins brought by the market downturn. Profit contribution from our continuing operations declined by 27% to HK\$204 million.

Basic earnings per share increased to HK18.2 cents, compared to HK0.2 cents in the previous financial year. Due to our excellent cash position and our 60th anniversary in 2010, the Board of Directors has proposed a final dividend of HK10 cents, plus a special dividend of HK9 cents per share. This, together with the interim dividend of HK4 cents, will bring the total dividend for the year to HK23 cents, compared to HK14 cents in the previous financial year. Subject to shareholders' approval, the dividend will be paid on 14 September 2010 to shareholders whose names appear on the Register of Members of the Company on 30 August 2010.

Operations

Book and Package Printing, the largest business unit contributing over 49% of the Group's revenue, performed well. Despite weak demand and reduced revenue, profit contribution for this business unit increased by 33% as a result of effective cost-control measures and productivity initiatives to enhance efficiency.

Profit contribution from the Consumer Product Packaging and Corrugated Box business units was down by 42% and 62% respectively due to reduced demand and increased price competition. The Paper Trading business unit was impacted to a lesser degree and its profit contribution was down by 17%.

Taking advantage of the somewhat quieter than usual operating environment, Hung Hing pursued a number of operational enhancements during the year. The Group worked to right-size and restructure for better accountability and improved productivity and efficiency. Offset estimations and scheduling systems were also implemented to boost throughput and considerably enhance the Group's sales and operations planning capacity.

Despite the economic volatility, Hung Hing has continued over the past years to build on its strengths in printing and packaging to maintain its position as the leading total printing solution provider in Asia. The Group has been diligent in expanding its global markets through its base in Hong Kong and China and has captured greater market share through the strategic use of its international network of agents. This has further reinforced its position as a global company with an Asian base.

Outlook

2010 marks the 60th year of printing excellence at Hung Hing. The Group expects a year of transition from economic pessimism to greater confidence. Expectations of export market performance are mixed. Global markets show signs of recovery particularly in the US but this is somewhat offset by instability in European financial markets and the depreciation of the Euro and Sterling against an ever-appreciating Renminbi.

While Hung Hing expects to be challenged by raw material and operating costs, especially as wages in mainland China are increasing, the Group will counter these by enhancing efficiency, focusing on key performance indicators and continuing to drive operational discipline.

The demanding market environment has actually created an opportunity for Hung Hing as customers seek out trusted partners. With a long history of success and sustained growth over the past six decades, Hung Hing is widely seen as a high-quality, stable option for companies that see partnership with us as a platform for investment and mutual growth, especially in China. Hung Hing has the organizational capability to grow with its customers and its focus on quality products and services will continue to make it a sought-after player in the market.

The Group is well equipped to capitalize on rising demand given its prudent management approach, operational restructuring and efficiency as well as new machinery. Similarly, the Group's strong cash position will continue to help Hung Hing to take advantage of growth opportunities in the domestic market as the economic recovery continues.

I would like to thank all employees for their support of the Group during these challenging times. I look forward to working together towards an even brighter future for Hung Hing.

Peter Martin Springford

Chairman

Hong Kong, 14 July 2010

Management Discussion and Analysis

Managing Director
Yum Chak Ming, Matthew

 As Hung Hing celebrates its 60th year of printing excellence, the Group expects to be challenged by raw material and operating costs, but is well equipped to capitalize on rising demand given its prudent management approach, operational restructuring and efficiency.



Full Year Results

Profit attributable to equity holders of the Company for the year ended 31 March 2010 was HK\$167 million representing a significant increase compared to HK\$2 million recorded in the previous year. Basic earnings per share were HK18.2 cents, compared to HK0.2 cents for the preceding year.

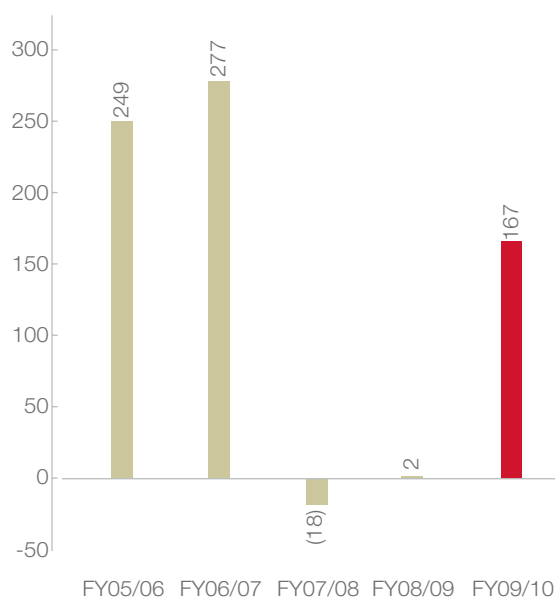
In July 2009, the Group entered into agreements to sell 30% of its equity stake in the paper manufacturing business. The transaction was completed in February 2010. In accordance with accounting pronouncement HKFRS 5, upon the loss in control (subsidiary to associated company), the paper manufacturing business became a Discontinued Operation. Accordingly, its financial performance for the eleven months ended February 2010 is reported under Discontinued Operations. The Group's other business, including book and package printing, consumer product packaging, corrugated box and paper trading are reported under Continuing Operations.

The following is an analysis of the financial results of the Continuing Operations and Discontinued Operations.

Continuing Operations

- Revenue of HK\$2,398 million, down 17% from HK\$2,874 million the previous year
- Gross profit margin maintained at 21% which is the same as the previous year
- Profit for the year of HK\$166 million, down 46% from HK\$305 million the previous year.

Profit/(Loss) Attributable to Equity Holders
HK\$ million



Revenue was down by 17% as a result of the soft consumer demand across the globe. Strategic right-sizing and other productivity enhancements helped us mitigate partially the pressure on pricing and margins brought by the economic downturn, allowing us to maintain our gross profit margin at 21% of revenue.

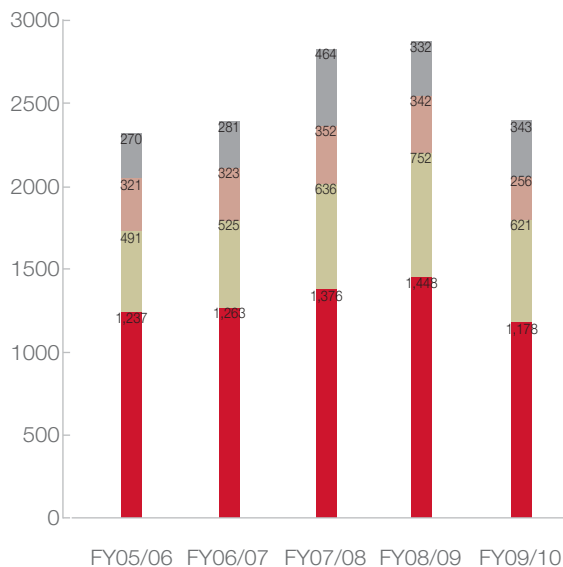
During the financial year of 2008/09, the Group recorded fair value gain from non-hedging currency derivatives amounting to HK\$104 million, of which HK\$91 million was reported under Continuing Operations. There was no similar gain during the year under review resulting in a significant decline in profit for the year of 46%. Excluding this non-recurring item in the previous year, the profit decline would have been 23%.

Revenue

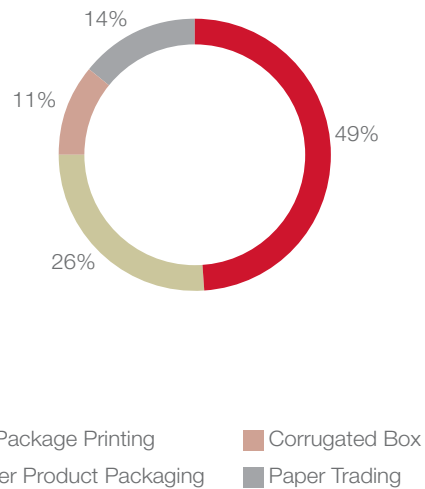
Revenue for the year ended 31 March 2010 declined by 17% to HK\$2,398 million compared to the previous year. All business units experienced a revenue decline ranging from 17% to 25%, with the exception of Paper Trading. Reduced demand from overseas markets, the slowdown of manufacturing activity in the Pearl River Delta (PRD) region, and the increased competition in the domestic market were all key factors contributing to the revenue shortfall.

Revenue from the Group's largest business unit, Book and Package Printing, was down 19% to HK\$1,178 million mainly due to decreased demand from overseas markets. The Consumer Product Packaging business unit saw revenue decrease 17% to HK\$621 million as a result of increased competition

Revenue by Business Unit
HK\$ million



Revenue by Business Unit
in FY09/10



and the consequential reduction in selling prices. The Corrugated Box business unit experienced a revenue decline of 25% due to the slowdown in manufacturing and export activity in the PRD.

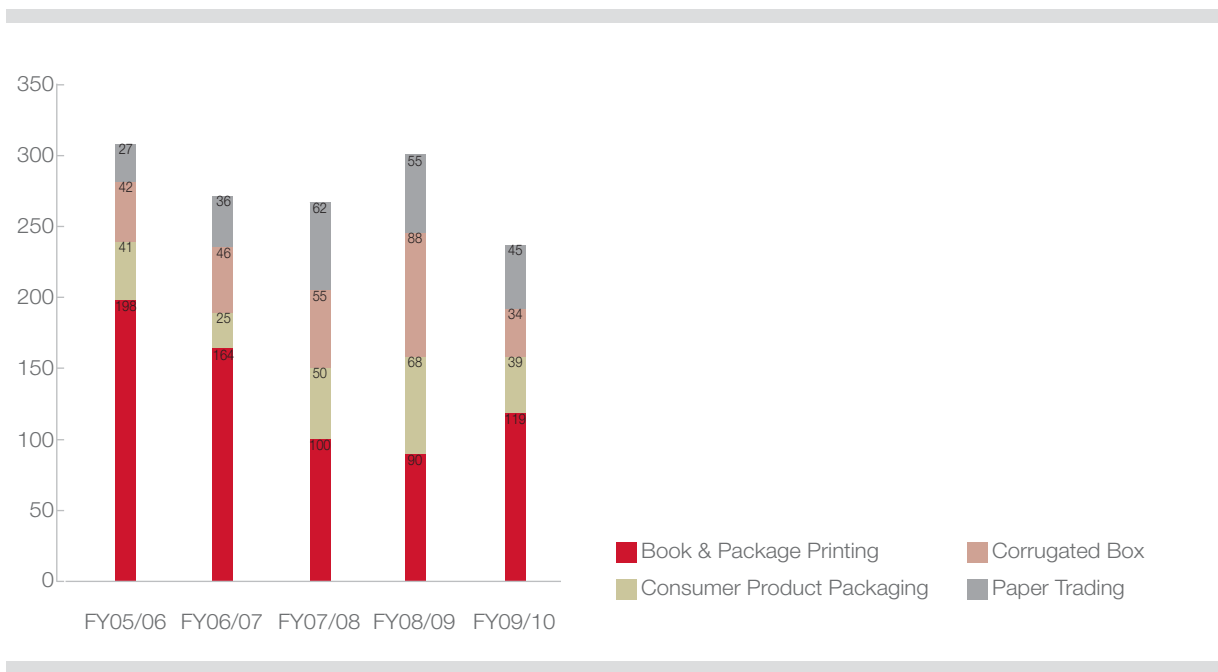
The Paper Trading business unit revenue increased by 3% to HK\$343 million through successful paper purchasing strategies, good inventory management and the strong position of the business unit in buying markets. During the financial year both external and internal cross-segment paper sales increased.

Profit from Core Business

For the Book and Package Printing business unit, the reduction in paper prices, stable wage rates and the positive impact of various productivity initiatives implemented during the financial year helped enhance gross profit during a period of declining demand. The business unit delivered 33% profit growth despite a 19% reduction in revenue.

Manufacturing activity in the PRD slowed down notably during the period under review. As a result, the corrugated box business unit experienced reduced demand and increased price competition, leading to a profit decline of 62%. Similarly, the consumer product packaging business unit also saw a 42% profit decline. The paper trading business unit was less impacted; nonetheless, its profit contribution was down by 17% compared to the previous year. It should be noted that its trading margins had improved in the second half year as paper prices and demand began to recover.

Profit Contribution By Business Unit
HK\$ million



Discontinued Operations

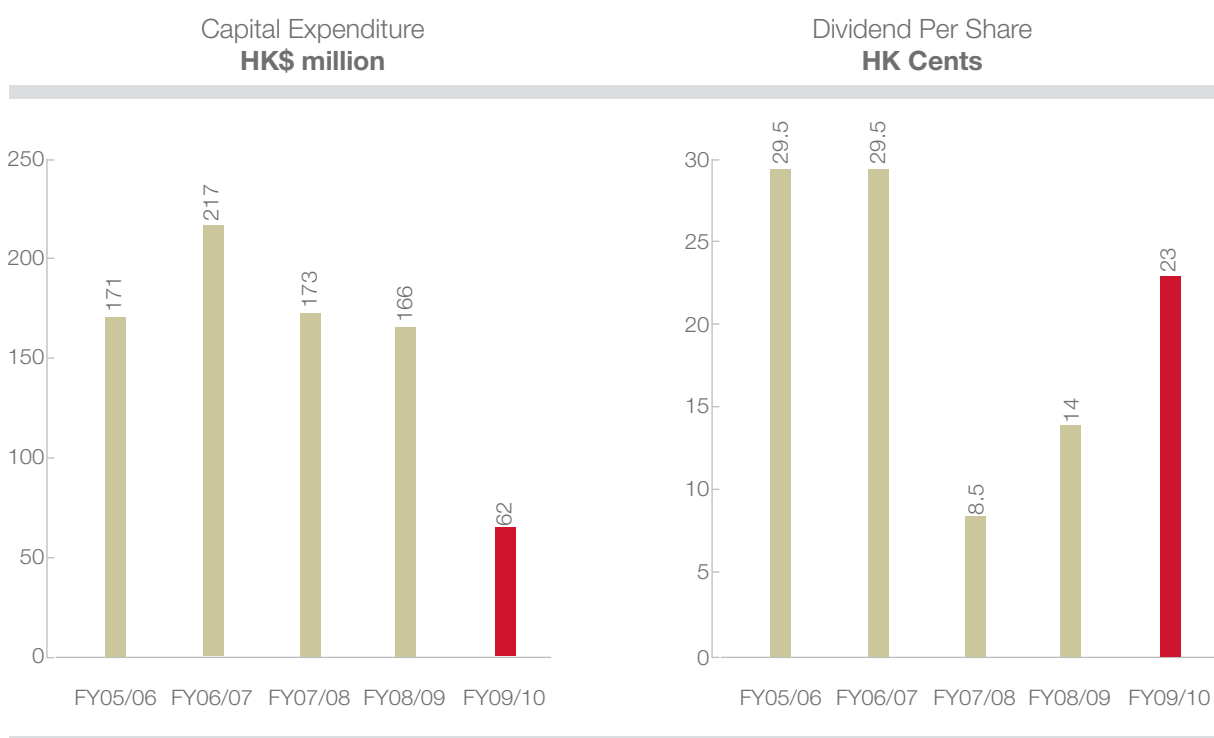
During the financial year of 2008/09, the Paper Manufacturing business unit incurred a total loss of HK\$470 million (impairment provision of HK\$291 million, fire loss of HK\$30 million, operating and other losses of HK\$149 million). During the financial year under review, the improved paper market, the successful insurance claims of HK\$18 million and the HK\$17 million gain on disposal helped the business unit deliver a profit of HK\$19 million in the eleven months ended February 2010. Without these non-recurring items, the paper manufacturing business would have lost HK\$16 million in the year under review.

Since March 2010, the Group's equity stake in the Paper Manufacturing business has been diluted to 31% and the financial contributions of the business are now being reported under "Share of loss of associates".

Financial and Capital Resources

Overall, the Group ended the year in a sound financial position. As of 31 March 2010, the Group had a net cash (total cash net of bank borrowings) balance of HK\$684 million.

Capital expenditure reached HK\$62 million during the financial year. The Group added an advanced printing press at its Zhongshan packaging plant, and completed the construction of a new building at its Heshan plant, enhancing the production capacity of these two plants.



The Group has committed to purchase additional four state-of-the-art printing presses which are scheduled to arrive at its plants in China during the first quarter of the fiscal year 2010/11. This will further enhance the Group's production capacity and quality and better prepare the Group for the economic recovery.

In February 2010, the Group increased its interest in its Zhongshan packaging business from 56% to 71% at a cash consideration of HK\$69 million. As of 31 March 2010, HK\$27 million had been paid while the remaining balance was fully settled in May 2010.

As of 31 March 2010, the Group's total bank borrowings amounted to HK\$425 million, of which HK\$239 million was repayable within one year, and HK\$186 million was repayable within 2 to 3 years. Of the Group's bank borrowings as of 31 March 2010, 95% was denominated in Hong Kong dollars and 5% was in Renminbi. The Group's gearing ratio, comparing bank borrowings to its equity, stood at 14%, compared to 22% in the previous year. With a reduced level of borrowing and lower interest rate, the Group's interest expenses dropped by 70% to HK\$11 million for the year ended 31 March 2010 in comparison to the preceding year.

The Group's transactions are mainly denominated in Hong Kong dollars, US dollars and Renminbi. The Group policy is to minimize its exposure to foreign currency fluctuation other than these currencies. Of the Group's cash on hand as of 31 March 2010, 61% was in Hong Kong dollars, 30% was in Renminbi and 9% was in US dollars.

In order to enhance shareholders' value, the Group repurchased 12,704,000 shares at a total cost of HK\$27 million during the year.

Proposed Dividends

Due to our excellent cash position and to celebrate our 60th anniversary in 2010, the Board of Directors has proposed a final dividend of HK10 cents, plus a special dividend of HK9 cents per share. This, together with the interim dividend of HK4 cents, will bring the total dividend for the year to HK23 cents.

Yum Chak Ming, Matthew

Managing Director

Hong Kong, 14 July 2010

Business Units Report



Book and Package Printing

Book and Package Printing

Hung Hing is one of the world's leading producers of folding cartons and packaging for toys, consumer products, packaged food and consumer electronics, and is also one of the world's largest manufacturers of children's novelty books.

Production of folding cartons, packaging, conventional books and children's books is carried out at the plants in Shenzhen and Heshan in the Guangdong province of China and in Hong Kong. The three plants have a combined production space of 2.5 million square feet employing over 9,000 workers.

The Shenzhen and Heshan plants are ISO9001 and ICTI-COBP certified; the Shenzhen plant was also awarded ISO14001 certification.

The Group's global client base consists of the world's most recognized brands in toys, consumer goods, food and beverages, and leading publishers. Book and Package Printing is the Group's largest business unit.

Book and Package Printing reported the following results for the full year:

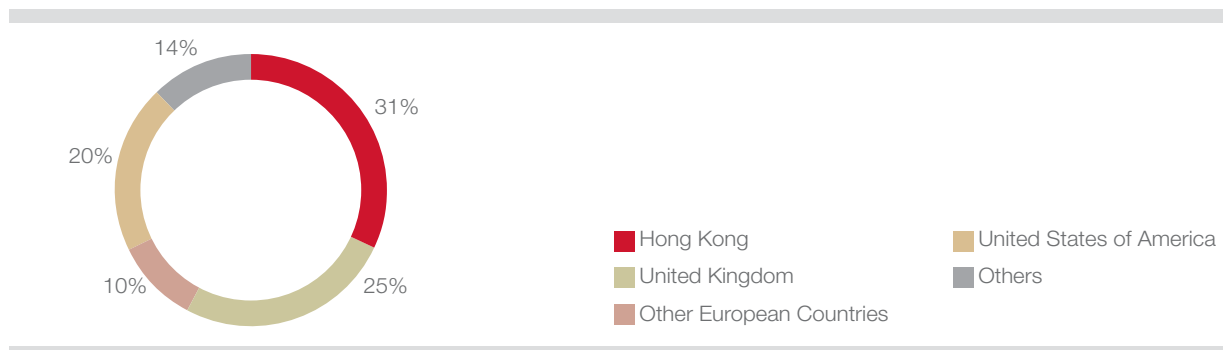
- Revenue of HK\$1,178 million, down 19% from HK\$1,448 million the previous year
- Profit contribution of HK\$119 million, up from HK\$90 million last year
- Profit contribution margin of 10%, up from 6% the previous year

Review of Operations

Book and Package Printing, the Group's largest business unit, saw a decline in revenue of 19% to HK\$1,178 million in the financial year under review. This business unit accounted for 49% of the Group revenue, compared to 50% in the previous year. Revenue was primarily impacted by the reduced demand from overseas markets as result of the weakened global economy.

Despite the decline in revenue, profit contribution for the business unit increased by 33% to HK\$119 million. This rise was primarily driven by effective cost control, improved operating efficiencies, stable wages in southern China and reduced raw material costs.

Revenue by Region FY09/10







The Group implemented several strategic initiatives over the past year including an organizational restructuring at the Shenzhen plant focusing on accountability, and the implementation of a new tool for sales estimation and scheduling. The forecasting system has visibly improved the sales and operation planning of the manufacturing process, and further facilitates management to make more informed and accurate decisions on work shift

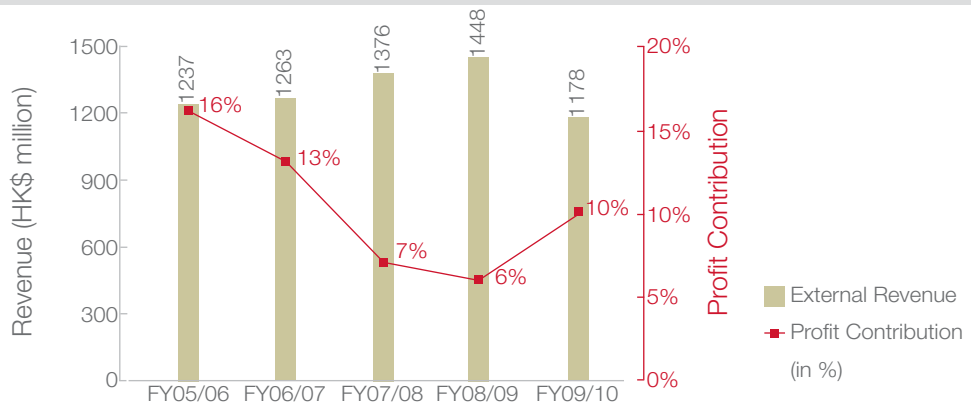
arrangements. These enhancements have allowed streamlining of the workforce and improved operational flow which has delivered reduced costs throughout the supply chain.

The Group also injected substantial investment to replace older machines across the Book and Package Printing business unit with modern ones to enhance both quality and capacity and, place the Group in a competitive position as the economy recovers in many of the Group's key markets.

The plants in Shenzhen, Heshan and Hong Kong offer large manufacturing capacity and a wide range of capabilities ranging from advanced machinery to highly skilled employees, positioning Hung Hing as the preferred printing solution vendor among international publishers and manufacturers in China seeking for a high-quality, reliable long-term printing and packaging partner.



Revenue & Profit Contribution (in %)





Consumer Product Packaging

Consumer Product Packaging

Hung Hing provides high-quality packaging solutions for customers through its production plants in Zhongshan in southern China and Wuxi near Shanghai. The two plants are well positioned to capture the growing consumer packaging market in China.

Featuring modern and advanced machinery and a combined production space of over 1.7 million square feet, the two plants maintain a strong clientele consisting of well-known brands in the personal care, packaged food, and consumer electronics sectors.

Both plants are ISO9001 certified. The Wuxi plant is also awarded ISO14001 certification.

Consumer Product Packaging reported the following results for the full year:

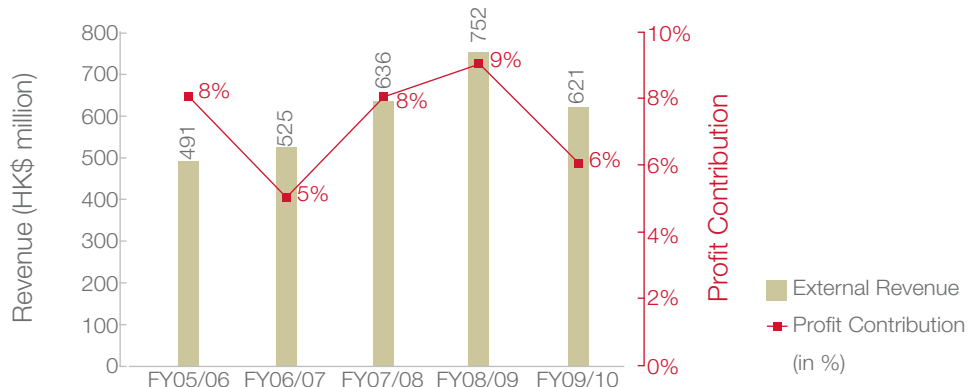
- Revenue of HK\$621 million, down 17% from HK\$752 million the previous year
- Profit contribution of HK\$39 million, down from HK\$68 million last year
- Profit contribution margin of 6%, down from 9% the previous year

Review of Operations

Intensified competition and reduced selling prices during the financial year reduced revenue for the consumer product packaging business unit by 17%. The business unit focused on improving disciplines and working to key performance indicators within the two plants which would lead to enhanced efficiency and a positive impact on the business unit's financial performance.

In February 2010 the Group increased its stake in the Zhongshan Packaging from 56% to 71%, which helped and will continue to sustain the Group's position as a leading print and packaging supplier in the China domestic market.

Revenue & Profit Contribution (in %)





Corrugated Box

Corrugated Box

Hung Hing operates a competitive corrugated box manufacturing business, which supplies to a wide range of customers including toy, food and beverage, electrical appliance and household product manufacturers.

Close to two-thirds of the corrugated box sales are generated from Hong Kong based exporters, while the remaining one-third comes from customers in China. The business unit operates a manufacturing facility in Shenzhen and a distribution center in Hong Kong.

Corrugated Box reported the following results for the full year:

- Revenue of HK\$256 million, down 25% from HK\$341 million the previous year
- Profit contribution of HK\$34 million, down from HK\$88 million last year
- Profit contribution margin of 10%, down from 18% the previous year

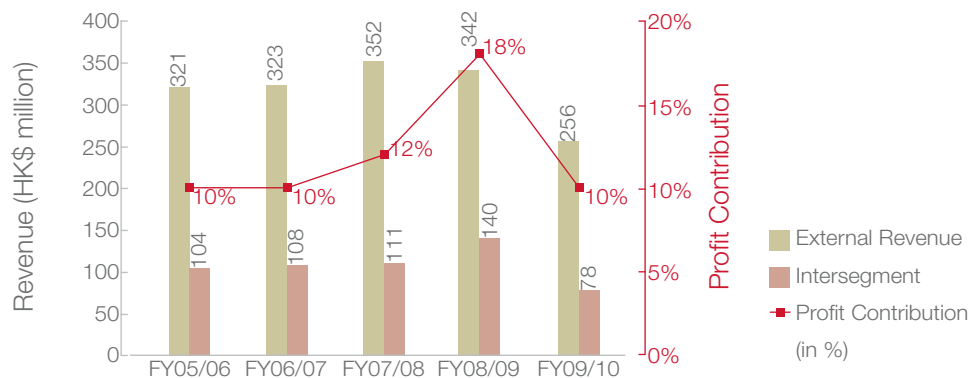
Review of Operations

Reduced levels of manufacturing activity in the PRD impacted the Group's corrugated box business unit leading to a reduction in sales and volume, and a drop of 25% to HK\$256 million in revenue during the financial year. The weaker demand also amplified domestic competition, and reduced selling price. The impacts of these were partly offset by lower material costs during the year.

During the period under review, the Group appointed a senior business unit manager and restructured the business unit to improve its efficiency. The business unit optimized its customer mix, retaining larger and higher-end customers. As demand from the export market slowed, the business unit strategically shifted its focus to the China domestic market and secured increased sales.

This business unit's improved efficiency puts the Group in a stronger position as the economic recovery continues to gain momentum.

Revenue & Profit Contribution (in %)





Paper Trading

Paper Trading

Hung Hing is one of the largest paper trading operators in Asia. With a well-managed warehouse facility in Shenzhen with a storage capacity of over 60,000 tons of paper, the Group can supply paper to customers on short lead times at competitive prices. The warehouse also operates high-speed sheeters and re-winders that can cut paper into different sizes and to specific customer requirements.

The paper trading business unit offers a wide variety of high-quality paper, including those imported from Northern Europe, South and North America, and Southeast Asia. The Group's customer base includes many leading printers and manufacturers in China.

This business unit serves a strategic purpose as an integral part of the Group's supply chain, providing a stable supply of paper at highly competitive prices to the Group's core printing and packaging business units.

Paper Trading reported the following results for the full year:

- Revenue of HK\$343 million, up 3% from HK\$332 million the previous year
- Profit contribution of HK\$45 million, down from HK\$55 million last year
- Profit contribution margin of 6%, down from 9% the previous year

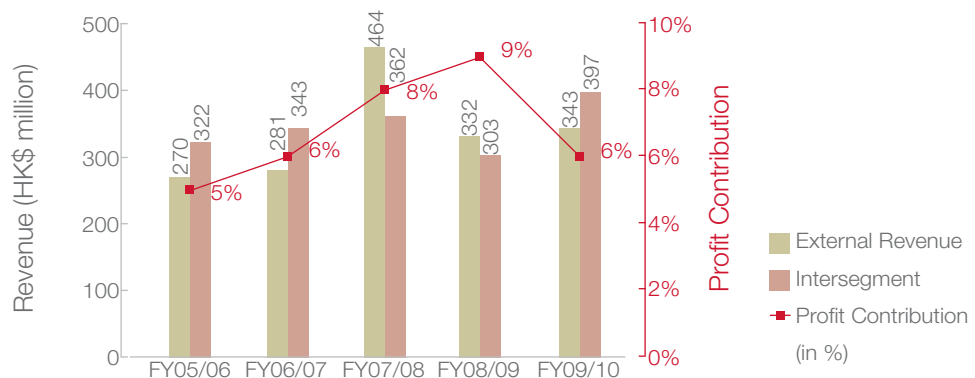
Review of Operations

Revenue for the paper trading business unit increased 3% to HK\$343 million, driven by effective buying and sales strategy that took advantage of the market dynamics during a period of economic uncertainty.

In addition to the rise of external sales, the business unit also increased internal sales to other divisions within the Group. As an integral part of Hung Hing's supply chain, this business unit allows the Group to buy paper in advance at a lower cost and ensures a stable supply of paper at a competitive price for its printing and packaging business units. During the period under review, over half of the business unit's revenue, or 54%, derived from internal sales.

In line with its strategy to focus on growth of the China domestic market, the Group established a subsidiary with a business license to trade in China in 2009. Through this subsidiary, the Group can source papers from within and outside China and supply to customers in local trading terms.

Revenue & Profit Contribution (in %)





Associated Companies

Associates

Hung Hing has equity interests in two associates: Rengo Hung Hing Paper Manufacturing business and Graphic Hung Hing Packaging (Shanghai) Co. Ltd.

Hung Hing previously owned a 59% stake in the two legal entities which make up the Rengo Hung Hing Paper Manufacturing business, and which Hung Hing established in partnership with Rengo of Japan. In February 2010, Hung Hing sold part of its equity interest to two new strategic partners, leaving the Group with a 31% ownership stake.

The paper manufacturing associates operate three production lines at the Zhongshan plant in southern China, converting waste paper into corrugated medium and testliner. The paper is sold to outside converters as well as to Hung Hing's corrugated box operations.

Graphic Hung Hing Packaging (Shanghai) Co. Ltd. is a joint venture (JV) with a subsidiary of Graphic Packaging Holding Company, a leading U.S. beverage packaging company. Based in Shanghai, the JV sells multi-pack beverage packaging into China's growing beverage market.

Review of Operations

The Group's total loss from the two associates in the financial year was HK\$3 million. This shortfall includes the one-month profit recorded by the paper manufacturing business in March 2010, after it was changed from a subsidiary to an associated company, and the full-year loss of Graphic Hung Hing Packaging (Shanghai) Co. Ltd.

The completion of the Group's divestment of the paper manufacturing business helped reduce the volatility of the Group's profitability, and will reinforce the Group's positioning in its core printing and packaging business.

The Group continues to work with its major shareholder, Rengo, to leverage their management and production expertise in paper manufacturing.

The joint venture with Graphic Packaging International Japan Limited, a leading provider of packaging solutions, still remains in the start-up stage. However, the Group believes there is considerable potential for this joint venture as consumer patterns of purchasing beverages in multi-packs becomes more commonplace as seen in other overseas markets.

Our People

As in years past, the Group managed staff numbers to meet its requirements for its overall business demand. During the high season around September 2009, we maintained our total number of staff at 11,582, down from 16,041 in September 2008. As of 31 March 2010, the Group employed a total of 11,895 people in Hong Kong and China, with 361 based in Hong Kong and 11,534 in China.

Salaries and remuneration

As the world's leading print solution provider, Hung Hing maintains high labor practice standards. The Group not only adheres closely to local government regulations as well as its customers' standards, but also aims to continuously surpass them with the goal of becoming a role model for others in the industry. The Group proudly boasts a 95% return rate of its workforce after the Chinese New Year break.

The Group provides competitive salaries and bonuses that are based on the performance, qualifications and experience of individual employees. All employees enjoy equal opportunities at work without any discrimination of sex, age, marital status, disability or other non-job-related factors.

Health and safety is our priority

Hung Hing places a high priority on the health and safety of all its employees. The Group regularly monitors and reviews its health and safety standards and performance targets for continual improvement to ensure a comfortable and safe working environment for its employees.

Training and career development

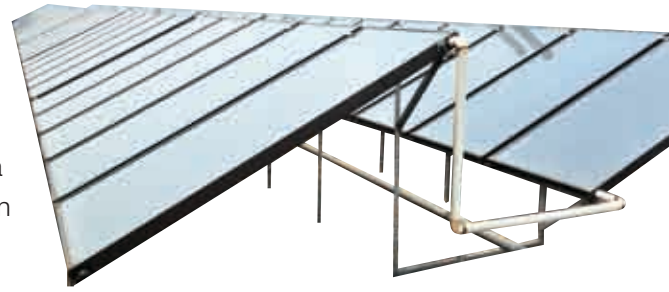
The Group continues to provide technical, management and safety training to employees at all levels to increase their professional knowledge and contribute to their career development.

Staff activities

Hung Hing organized various social, recreational and community activities for its employees. In the financial year, the Group hosted a chess competition during the Mid-Autumn Festival, game competitions during the National Day, a New Year variety show and various sports/social activities.

Business Sustainability

The Group is committed to sustainable practices that are sensitive to environmental considerations, and maintains a philosophy to protect the earth environment, implement clean production and develop a green culture within the company.



Paper from sustainable sources

Hung Hing achieved the Forest Stewardship Council (FSC) certification in 2007 and the Chain of Custody (CoC) certification from the Programme for the Endorsement of Forest Certification Schemes (PEFC) in 2008. The CoC certification proves that the Group provides paper from well-managed forests.

The Group is committed not to source papers with wood source from forests with high conservation values or where traditional or civil rights are violated.

Sustainable manufacturing

The Group introduced a manufacturing process in 2009 which reduces its use of chemicals and a lower use of VOCs (Volatile Organic Compounds), significantly reducing its impact on the environment. The Group also continued its energy saving program across its factories with clearly defined targets and goals.

The Group also invested over HK\$1 million in 2009 to improve the combustion efficiency of the steam boiler in its joint venture paper manufacturing plant at Zhongshan, an initiative that could save more than 8,000 tons of coal per year. An intelligent power regulator has been installed in the central air compressor of its Shenzhen plant, which could save over 120,000kwh of electricity per year.

Green working environment

Annual reviews are conducted to ensure that the Group meets the national standards for air quality, noise pollution and waste water disposal. The Group uses environmentally-friendly lighting in its plants and staff dormitory. Electricity usage at the plants is also optimized through better machine arrangement and production scheduling.

Environmental achievements

The Group has participated in the government advocated cleaner production partnership program and some projects awarded funding by sponsor organization. In 2009, its printing operation had achieved an average energy reduction of 5% per unit of production in comparison to 2008.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

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 book and package printing, the consumer product packaging, the corrugated box and the trading of paper. There were no significant changes in the nature of the Group's principal activities during the year except that in February 2010, the Group completed the transaction of selling 30% of its equity interests in the paper manufacturing business. Upon the loss in control (subsidiary to associated company), the paper manufacturing business became a discontinued operation.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 54 to 157.

An interim dividend of HK4 cents per share was paid on 20 January 2010. The directors recommend the payment of a final dividend and a special dividend of HK10 cents and HK9 cents per ordinary share respectively in respect of the year to shareholders on the registered members on 30 August 2010. This recommendation has been incorporated in the financial statements as an allocation of retained earnings 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.

RESULTS

	Year ended 31 March				
	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
CONTINUING OPERATIONS					
REVENUE	2,397,850	2,873,710	2,827,922	2,392,168	2,318,853
Profit Contribution	204,403	280,274	267,280	283,193	295,303
Fair value gain/(loss) on derivative financial instruments not qualified as hedges, net	116	90,570	(140,850)	–	–
Fair value gain/(loss) on derivative component of convertible bonds	–	–	32,775	55,275	(1,800)
Finance costs	(11,411)	(38,476)	(129,401)	(54,147)	(19,981)
Share of losses of associates	(2,639)	(1,560)	–	–	–
PROFIT BEFORE TAX	190,469	330,808	29,804	284,321	273,522
Income tax expense	(24,890)	(26,172)	(36,587)	(36,443)	(37,362)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	165,579	304,636	(6,783)	247,878	236,160
DISCONTINUED OPERATIONS					
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	19,117	(470,075)	3,388	59,653	39,931
PROFIT/(LOSS) FOR THE YEAR	184,696	(165,439)	(3,395)	307,531	276,091

RESULTS (Continued)

	Year ended 31 March				
	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Attributable to:					
Equity holders of the Company					
Continuing operations	148,169	279,613	(19,792)	242,039	225,396
Discontinued operations	18,435	(277,844)	1,993	35,100	23,495
	166,604	1,769	(17,799)	277,139	248,891
Minority interests					
Continuing operations	17,410	25,023	13,009	5,839	10,764
Discontinued operations	682	(192,231)	1,395	24,553	16,436
	18,092	(167,208)	14,404	30,392	27,200
	184,696	(165,439)	(3,395)	307,531	276,091
EARNINGS/(LOSS) PER SHARE					
Basic	HK18.2 cents	HK0.2 cent	HK(3.0) cents	HK46.1 cents	HK42.5 cents
Diluted	HK18.1 cents	HK0.2 cent	HK(3.0) cents	HK46.1 cents	HK42.5 cents

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 March				
	2010 HK\$'000	2009 HK\$'000 (Restated)	2008 HK\$'000 (Restated)	2007 HK\$'000 (Restated)	2006 HK\$'000 (Restated)
PROPERTY, PLANT AND EQUIPMENT	1,304,175	1,362,602	1,619,897	1,493,144	1,373,577
LAND USE RIGHTS	112,328	147,859	150,784	147,700	145,531
INTANGIBLE ASSETS	8,698	5,231	11,513	8,202	7,022
AVAILABLE-FOR-SALE FINANCIAL ASSETS	8,490	7,367	9,408	8,806	9,198
PROPERTIES UNDER CONSTRUCTION	249	35,994	40,844	50,090	46,058
INTERESTS IN ASSOCIATES	21,638	–	–	–	–
DERIVATIVE FINANCIAL INSTRUMENTS	193	–	–	–	–
DEFERRED INCOME TAX ASSETS	11,429	4,348	7,735	4,731	5,869
CURRENT ASSETS	2,355,766	2,524,713	2,955,848	2,401,498	2,400,552
TOTAL ASSETS	3,822,966	4,088,114	4,796,029	4,114,171	3,987,807
CURRENT LIABILITIES	608,715	619,419	1,383,169	706,587	797,458
DERIVATIVE FINANCIAL INSTRUMENTS	233	–	–	–	–
CONVERTIBLE BONDS	–	–	–	679,590	641,185
BORROWINGS	185,898	335,825	893,485	110,833	169,167
STRUCTURED BORROWINGS	–	–	42,163	56,896	–
DEFERRED TAX LIABILITIES	40,654	39,797	40,802	36,550	23,354
TOTAL LIABILITIES	835,500	995,041	2,359,619	1,590,456	1,631,164
MINORITY INTERESTS	128,378	218,958	382,887	354,094	317,017
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	2,859,088	2,874,115	2,053,523	2,169,621	2,039,626

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 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased 12,704,000 of its own shares from The Stock Exchange of Hong Kong Limited ("Stock Exchange") and all the repurchased shares were cancelled. On 21 December 2009, the Company adopted a Restricted Share Award Scheme. The Trustee of the Restricted Share Award Scheme purchased 3,334,000 shares on the Stock Exchange pursuant to the Scheme Rules and Trust Deed during the year. Besides the Company, none 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 33(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2010, 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\$406,985,000, of which HK\$172,989,000 has been proposed as final and special dividends 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\$167,000.

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 30% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

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:

Yum Chak Ming, Matthew
Sung Chee Keung

Non-executive directors:

Peter Martin Springford
David Murray Lonie *(retired on 21 August 2009)*
Ho Chi Kit
Lam Tsz-Wang, Alvin
Mak Lok Qun, Denise *(appointed on 21 August 2009)*
Yam Ho Ming, Michael *(re-designated as non-executive director on 1 April 2010)*

Independent non-executive directors:

Yip Yu Bun *(retired on 21 August 2009)*
Yap, Alfred Donald
Luk Koon Hoo
Lo Chi Hong *(appointed on 21 August 2009)*

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

Peter Martin Springford
Ho Chi Kit
Lam Tsz-Wang, Alvin

All the retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

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

Honorary Chairman

Mr. Yam Cheong Hung aged 81, 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, aged 56, 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. He is also a director of Nuplex Industries Ltd., which is listed on the Australian Stock Exchange and 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., CVC group's unlisted portfolio company.

Executive directors

Mr. Yum Chak Ming, Matthew, aged 52, 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. Sung Chee Keung, aged 51, 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. He became a director of the Company in September 2008.

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

Non-executive directors

Mr. Ho Chi Kit, aged 48, is a director of Asia Packaging Company Limited and the partner 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. He is currently a non-executive director of Sun Hung Kai & Co. Limited, which is listed on the Stock Exchange and the vice chairman of Zhuhai Zhongfu Enterprise Co., Ltd., which is listed on the Shenzhen Stock Exchange.

Mr. Lam Tsz-Wang, Alvin, aged 38, 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 since 2005, and was previously a principal with the Boston Consulting Group based in Hong Kong. He is currently a director of Zhuhai Zhongfu Enterprise Co., Ltd., which is listed on the Shenzhen Stock Exchange.

Miss Mak Lok Qun, Denise, aged 30, is an investment director of CVC, the adviser to the investment funds which ultimately own Asia Packaging Company Limited. Miss Mak holds a Bachelor of Arts (Cum Laude) degree in Applied Mathematics from Harvard University, USA. Miss Mak is also a CFA charterholder. She has been with CVC since 2005 and previously worked in the Debt Capital Markets and the Mergers and Acquisitions departments at JP Morgan. She is currently a director of Zhuhai Zhongfu Enterprise Co., Ltd., which is listed on the Shenzhen Stock Exchange.

Mr. Yam Ho Ming, Michael, aged 51, re-designated as non-executive director of the Company on 1 April 2010. He holds a Bachelor of Science degree in Printing Management from Rochester Institute of Technology, U.S.A. He has over 25 years of experience in the printing and paper 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.

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

Independent non-executive directors

Mr. Yap, Alfred Donald, JP, aged 71, 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. He became a director of the Company in March 2005.

Mr. Luk Koon Hoo, aged 59, 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 Town Planning Board and a member of the Operations Review Committee of the Independent Commission for Anti-Corruption. 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.

Mr. Lo Chi Hong, aged 63, is an advisor of Sino United Publishing (Holdings) Limited and the advisor to the group chairman of the Hung's Food Group which runs the restaurant and bakery chain under the "Yoshinoya" and "Maria's Bakery" brand names respectively. He has held senior managerial roles in the publishing industry over the last 30 years. From 1996 to 2007, he served as the chief executive officer of C&C joint Printing (HK) Limited. Mr. Lo has also held a number of public posts in Hong Kong and China including acting as a vice president of the Printing Technology Association of China, the chairman of the Advisory Board of the Hong Kong Institute of Print-media Professionals, a member of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications and a member of the SME Development Fund Vetting Committee, an honorary president of the Chinese Manufacturers' Association of Hong Kong and an honorary president of the Hong Kong Printers Association. In 2005, Mr. Lo was awarded the Medal of Honour by the HKSAR Government. Mr. Lo was a PHD Candidate of Peking University in China in 1985.

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

Senior management

Mr. David Roy Eitemiller, aged 51, is the Chief Operation Officer of the Group. He is 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.

Mr. Lui Man Yiu, Eric, aged 54, 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 of 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 Bui, aged 61, 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 50, is the General Manager, MIS & Operations Support 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 49, 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 53, 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 17 years experience in manufacturing and has been with the Group since 1999. He is a brother-in-law of Mr. Yum Chak Ming, Matthew.

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

Senior management (Continued)

Mr. Chan Siu Man, Alvin, aged 52, is responsible for the sales and marketing of the Group's South China printing and packaging 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.

Mr Yim Chi Hung, Dominic, aged 50, 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 20 years of experience in general management in different industries including printing. He has been with the Group since November 2008.

Ms. Chong Wai Kan, Winky, aged 40, is responsible for the management of the Group's paper trading business. She has over 18 years of experience in paper trading and has been with the Group since 1992.

DIRECTORS' SERVICE CONTRACTS

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 37 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 2010, 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:

Name of directors	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Yum Chak Ming, Matthew	9,374,537	–	–	9,374,537	1.03
Yap, Alfred Donald	27,504	–	–	27,504	–
Sung Chee Keung	602,824	60,000	–	662,824	0.07

Long positions in ordinary shares of the associated corporations:

Name of director	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ registered capital held	Percentage of the associated corporation's issued share capital/ registered capital
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
Sung Chee Keung	Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Through controlled corporation	US\$1,441,500	5
Sung Chee Keung	Zhongshan Ren Hing Paper Manufacturing Company Limited	Through controlled corporation	US\$735,500	5

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Save as disclosed above, as at 31 March 2010, 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

Pursuant to the Restricted Share Award Scheme, the executive directors are eligible participants of the Restricted Share Award Scheme, details of which are set out in note 34 to the financial statements.

Save as disclosed above, 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 2010, 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	340,476,445	37.35
CVC Capital Partners Asia Pacific III L.P.	(a)	Through controlled corporation	340,476,445	37.35
Asia Packaging Group Holdings Limited	(a)	Through controlled corporation	340,476,445	37.35
Asia Packaging Holdings Limited	(a)	Through controlled corporation	340,476,445	37.35
Asia Packaging Company Limited	(a)	Directly beneficially owned	340,476,445	37.35
Yam Cheong Hung	(b)	Directly beneficially owned and through controlled corporation and his spouse	291,576,586	31.99
C.H. Yam International Limited	(b)	Directly beneficially owned and through controlled corporation	286,834,379	31.47
C.H. Yam Holding Limited	(b)	Through controlled corporation	195,263,190	21.42
Hung Tai Industrial Company Limited	(b)	Directly beneficially owned	195,263,190	21.42
Aberdeen Asset Management PLC		Through controlled corporation	55,300,000	6.07

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Note:

- (a) There is a duplication of interests of 340,476,445 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 100% 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 (0.18% 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 2010, 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.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 43 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.

AUDITOR

PricewaterhouseCoopers retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Peter Martin Springford

Chairman

Hong Kong, 14 July 2010

Corporate Governance Report

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 2010 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.

BOARD COMPOSITION AND BOARD PRACTICES

At the date of this Annual Report, the Board of Directors (the “Board”) of the Company is composed of 10 Directors, of which 2 are Executive Directors including the Managing Director, 5 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 38 to 42 of this Annual Report.

Review will be made regularly by 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.

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 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. The Nomination Committee was set up on 19 March 2009 to make recommendation to the Board on the selection and nomination of candidates for directorship.

BOARD COMPOSITION AND BOARD PRACTICES (Continued)

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.

The Board meets regularly and held four full board meetings in 2009/10

	Attendance
Chairman	
Peter Martin Springford (<i>Non-executive Director</i>)	4/4
Executive Directors	
Yum Chak Ming, Matthew (<i>Managing Director</i>)	4/4
Yam Ho Ming, Michael (<i>re-designated as non-executive director on 1 April 2010</i>)	3/4
Sung Chee Keung	4/4
Non-executive Director	
David Murray Lonie (<i>retired on 21 August 2009</i>)	1/1
Ho Chi Kit	2/4
Lam Tsz-Wang, Alvin	3/4
Mak Lok Qun, Denise (<i>appointed on 21 August 2009</i>)	3/3
Independent Non-executive Directors	
Yap Alfred Donald	4/4
Yip Yu Bun (<i>retired on 21 August 2009</i>)	1/1
Luk Koon Hoo	4/4
Lo Chi Hong (<i>appointed on 21 August 2009</i>)	3/3

BOARD COMPOSITION AND BOARD PRACTICES (Continued)

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 board committees meetings 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.

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 2010.

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 Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. The Audit Committee reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed through the assistance of the Company's Internal Audit Department.

The Company's Internal Audit Department assesses risk exposure, formulates audit plan and ensures the audit programs cover key internal control areas of operating subsidiaries on a rotational basis for the review by the Audit Committee. 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 of the Company and the Audit Committee. The department also monitors the follow-up actions agreed upon in response to its recommendations and reports to the Audit Committee the progress of implementation of those recommendations.

INTERNAL CONTROL (Continued)

With the assistance of the Audit Committee and the Company's Internal Audit Department, the Board is satisfied that the overall financial, operational and compliance controls, and risk management of the Group continues to be effective.

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 is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 52 to 53 of this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2010, the fee in respect of audit service provided by PricewaterhouseCoopers, the auditor, is shown in note 6 to the financial statements. Non-audit service which covered taxation service provided to the Group was approximately HK\$246,000 in 2009/10.

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. Luk Koon Hoo, Mr. Lo Chi Hong and Mr. Lam Tsz-Wang, Alvin. The Committee met twice in 2009/10 with a 100% attendance by all the Committee members.

The policy and structure for all remuneration of Executive Directors and the Senior Management were reviewed by the Committee. Remuneration, including basic salary, performance bonus, long term incentive plan 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.

On 21 December 2009, the Committee recommended to the Board the adoption of the Restricted Share Award Scheme as a share-based incentive scheme to attract, motivate and retain employees and tie their interest for the long-term growth of the Company.

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 Non-executive Directors.

The Committee met once in 2009/10 and recommended to the Board the nomination of two candidates with the appropriate experience, skill and knowledge in place of two retiring directors in the Company's annual general meeting last year.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors and one Non-executive Director. They are respectively Mr. Luk Koon Hoo (Committee Chairman), Mr. Alfred Donald Yap, Mr. Lo Chi Hong and Mr. Peter Martin Springford. The Committee held four meetings in 2009/10 with a 100% attendance by all the Committee members.

During the year the work performed by the Committee included:

- discussed and reviewed with auditor the financial statements for 2008/09 and their audit results and communication report focusing on any change of accounting policies and practices, significant audit adjustments, and compliance with accounting standards and listing rules requirement.
- considered the proposed audit fee, the efficiency of using a single auditor, the independence of the auditor and recommended the appointment of PricewaterhouseCoopers as the Company's auditor.
- discussed and reviewed with management the accounting principles and practices adopted by the Company, the auditing, internal controls and financial reporting matters in preparation of the Company's unaudited financial statements for the six months ended 30 September 2009.
- discussed and reviewed with the auditor the scope of their audit, their audit plan, their risk assessment and control environment of the Company, accounting standards and listing rules amendments affecting the Company in 2009/10.

AUDIT COMMITTEE (Continued)

- reviewed the audit plan and significant audit findings of the Internal Audit Department with management at all committee meetings
- reviewed and received report from management on implementation of recommendation of the Internal Audit Department

The Committee is satisfied with the findings of their review of the work of the external auditor, their audit fees, results of their audits and has recommended to the Board their re-appointment in 2010/11 at the forthcoming annual general meeting.

Independent Auditor's Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
33rd Floor Cheung Kong Center
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

To the shareholders of Hung Hing Printing Group Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hung Hing Printing Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 157, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, 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 consolidated 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with 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.

AUDITOR'S 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 auditor's judgment, 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 auditor considers 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit 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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 July 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Continuing operations			
Revenue	5	2,397,850	2,873,710
Cost of sales	6	(1,894,244)	(2,263,921)
Gross profit		503,606	609,789
Other income and gains	5	16,848	47,412
Distribution costs	6	(60,728)	(76,283)
Administrative and selling expenses	6	(243,422)	(250,572)
Other expenses	6	(11,901)	(50,072)
		204,403	280,274
Fair value gain on derivative financial instruments not qualified as hedges, net		116	90,570
Finance costs	7	(11,411)	(38,476)
Share of loss of associates	22	(2,639)	(1,560)
Profit before income tax		190,469	330,808
Income tax expense	11	(24,890)	(26,172)
Profit from continuing operations		165,579	304,636
Discontinued operations			
Profit/(loss) from discontinued operations	12	19,117	(470,075)
Profit/(loss) for the year		184,696	(165,439)
Attributable to:			
Equity holders of the Company			
Continuing operations		148,169	279,613
Discontinued operations		18,435	(277,844)
		166,604	1,769

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Minority interests			
Continuing operations		17,410	25,023
Discontinued operations		682	(192,231)
		18,092	(167,208)
		184,696	(165,439)
Earnings/(loss) per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company	14		
		HK cents	HK cents
Basic			
From continuing operations		16.2	33.4
From discontinued operations		2.0	(33.2)
		18.2	0.2
Diluted			
From continuing operations		16.1	33.4
From discontinued operations		2.0	(33.2)
		18.1	0.2
		2010	2009
		HK\$'000	HK\$'000
Dividends	15		
Interim		36,523	36,971
Proposed final and special		172,989	92,428
		209,512	129,399

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Profit/(loss) for the year	184,696	(165,439)
Other comprehensive income:		
Cash flow hedge, net of tax	(1,198)	(3,773)
Currency translation differences	6,989	12,161
Fair value gain/(loss) on intangible assets	658	(3,250)
Fair value gain/(loss) on available-for-sale financial assets	1,123	(2,041)
Impairment of available-for-sale financial assets	199	–
Other comprehensive income for the year, net of tax	7,771	3,097
Total comprehensive income/(loss) for the year	192,467	(162,342)
Total comprehensive income/(loss) for the year attributable to:		
Equity holders of the Company		
Continuing operations	152,481	274,161
Discontinued operations	19,800	(274,321)
	172,281	(160)
Minority interests		
Continuing operations	18,549	27,581
Discontinued operations	1,637	(189,763)
	20,186	(162,182)
Total comprehensive income/(loss) for the year	192,467	(162,342)

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2010

	Note	As at		
		31 March 2010 HK\$'000	31 March 2009 HK\$'000 (Restated)	1 April 2008 HK\$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	1,304,175	1,362,602	1,619,897
Land use rights	17	112,328	147,859	150,784
Intangible assets	18	8,698	5,231	11,513
Available-for-sale financial assets	19	8,490	7,367	9,408
Properties under construction	20	249	35,994	40,844
Interests in associates	22	21,638	–	–
Derivative financial instruments	26	193	–	–
Deferred income tax assets	31	11,429	4,348	7,735
Total non-current assets		1,467,200	1,563,401	1,840,181
Current assets				
Inventories	23	656,162	503,957	855,800
Trade and bills receivables	24	524,762	538,295	891,195
Prepayments, deposits and other receivables	25	48,137	40,793	61,398
Derivative financial instruments	26	1,492	3,691	5,389
Amounts due from associates	36	15,383	504	–
Tax recoverable		1,052	11,577	8,264
Pledged time deposits	27	–	115,628	322,492
Cash and cash equivalents	27	1,108,778	1,310,268	811,310
Total current assets		2,355,766	2,524,713	2,955,848
Total assets		3,822,966	4,088,114	4,796,029
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	32	91,158	92,428	60,078
Reserves	33(a)	2,594,941	2,689,259	1,984,202
Proposed final and special dividends	15	172,989	92,428	9,243
		2,859,088	2,874,115	2,053,523
Minority interests		128,378	218,958	382,887
Total equity		2,987,466	3,093,073	2,436,410

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2010

		As at		
Note	31 March 2010 HK\$'000	31 March 2009 HK\$'000 (Restated)	1 April 2008 HK\$'000 (Restated)	
Non-current liabilities				
Derivative financial instruments	26	233	–	–
Structured borrowings		–	–	42,163
Borrowings	30	185,898	335,825	893,485
Deferred tax liabilities	31	40,654	39,797	40,802
Total non-current liabilities		226,785	375,622	976,450
Current liabilities				
Trade and bills payables	28	166,580	128,434	264,133
Current income tax liabilities		24,971	23,417	19,360
Other payables and accrued liabilities	29	168,859	123,557	164,975
Derivative financial instruments	26	9,111	6,858	126,682
Structured borrowings		–	–	22,655
Convertible bonds		–	–	11
Borrowings	30	239,194	337,153	785,353
Total current liabilities		608,715	619,419	1,383,169
Total liabilities		835,500	995,041	2,359,619
Total equity and liabilities		3,822,966	4,088,114	4,796,029
Net current assets		1,747,051	1,905,294	1,572,679
Total assets less current liabilities		3,214,251	3,468,695	3,412,860

Yum Chak Ming, Matthew

Director

Sung Chee Keung

Director

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 March 2010

	Note	As at		
		31 March 2010 HK\$'000	31 March 2009 HK\$'000 (Restated)	1 April 2008 HK\$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	197	280	420
Land use rights	17	9,319	9,878	10,437
Intangible assets	18	–	85	85
Available-for-sale financial assets	19	420	420	550
Interests in subsidiaries	21	279,969	312,362	407,961
Interests in associates	22	13,338	–	–
Deferred tax assets		–	–	26
Total non-current assets		303,243	323,025	419,479
Current assets				
Prepayments, deposits and other receivables	25	12,233	1,184	614
Derivative financial instruments		–	–	655
Cash and cash equivalents	27	669,675	1,006,811	520,355
Amounts due from subsidiaries	36	1,082,528	664,818	980,495
Total current assets		1,764,436	1,672,813	1,502,119
Total assets		2,067,679	1,995,838	1,921,598
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	32	91,158	92,428	60,078
Reserves	33(b)	1,790,256	1,804,524	1,092,570
Proposed final dividend	15	172,989	92,428	9,243
Total equity		2,054,403	1,989,380	1,161,891

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 March 2010

		As at	
	31 March 2010	31 March 2009	1 April 2008
Note	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)
Non-current liabilities			
Interest-bearing borrowings	-	-	154,055
Structured borrowings	-	-	42,163
Amounts due to subsidiaries	-	-	428,826
	-	-	625,044
Current liabilities			
Other payables and accrued liabilities	29 12,446	6,440	4,341
Current income tax liabilities	-	18	18
Derivative financial instruments	26 830	-	107,649
Structured borrowings	-	-	22,655
	13,276	6,458	134,663
Total current liabilities	13,276	6,458	134,663
Total liabilities	13,276	6,458	759,707
Total equity and liabilities	2,067,679	1,995,838	1,921,598
Net current assets	1,751,160	1,666,355	1,367,456
Total assets less current liabilities	2,054,403	1,989,380	1,786,935

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

Note	Share capital	Share premium	Own held shares reserve	Capital redemption reserve	Capital reserve	Hedging reserve	Intangible assets revaluation reserve	Available-for-sale investment revaluation reserve	Legal reserve	Exchange fluctuation reserve	Equity compensation reserve	Retained earnings	Proposed dividend	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008, as previously stated	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
Prior year adjustments	2.1	-	-	-	-	-	6,992	(4,179)	-	-	-	-	-	2,813	-	2,813
At 1 April 2008, as restated	60,078	724,845	-	966	(814)	(1,954)	6,992	623	99,515	104,814	-	1,049,215	9,243	2,053,523	382,887	2,436,410
Comprehensive (loss)/income																
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	1,769	-	1,769	(167,208)	(165,439)
Other comprehensive (loss)/income																
Cash flow hedges, net of tax	-	-	-	-	-	(3,773)	-	-	-	-	-	-	-	(3,773)	-	(3,773)
Loss on revaluation	-	-	-	-	-	-	(3,250)	(2,041)	-	-	-	-	-	(5,291)	-	(5,291)
Currency translation differences	-	-	-	-	-	-	-	-	-	7,135	-	-	-	7,135	5,026	12,161
Total other comprehensive (loss)/income	-	-	-	-	-	(3,773)	(3,250)	(2,041)	-	7,135	-	-	-	(1,929)	5,026	3,097
Total comprehensive (loss)/income	-	-	-	-	-	(3,773)	(3,250)	(2,041)	-	7,135	-	1,769	-	(60)	(162,182)	(162,342)
Final 2008 dividend declared	-	-	-	-	-	-	-	-	-	-	-	-	(9,243)	(9,243)	-	(9,243)
Issue of shares	32	32,350	841,101	-	-	-	-	-	-	-	-	-	-	873,451	-	873,451
Share issuance expenses	-	(6,485)	-	-	-	-	-	-	-	-	-	-	-	(6,485)	-	(6,485)
Allocation to legal reserve	-	-	-	-	-	-	-	-	12,469	-	-	(12,469)	-	-	-	-
Interim 2009 dividend	15	-	-	-	-	-	-	-	-	-	-	(36,971)	-	(36,971)	-	(36,971)
Proposed final 2009 dividend	15	-	-	-	-	-	-	-	-	-	-	(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)	3,742	(1,418)	111,984	111,949	-	909,116	92,428	2,874,115	218,958	3,093,073

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

Note	Share capital	Share premium	Own held shares reserve	Capital redemption reserve	Capital reserve	Hedging reserve	Intangible assets revaluation reserve	Available-for-sale investment revaluation reserve	Legal reserve	Exchange fluctuation reserve	Equity compensation reserve	Retained earnings	Proposed dividend	Total	Minority interests	Total	
																	HK\$'000
At 1 April 2009, as previously stated	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	
Prior year adjustment	2.1	-	-	-	-	-	3,742	(929)	-	-	-	-	-	2,813	-	2,813	
At 1 April 2009, as restated	92,428	1,559,461	-	966	(814)	(5,727)	3,742	(1,418)	111,984	111,949	-	909,116	92,428	2,874,115	218,958	3,093,073	
Comprehensive income																	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	166,604	-	166,604	18,092	184,696	
Other comprehensive (loss)/income																	
Cash flow hedges, net of tax	-	-	-	-	-	(1,198)	-	-	-	-	-	-	-	(1,198)	-	(1,198)	
Gain on revaluation	-	-	-	-	-	-	658	1,123	-	-	-	-	-	1,781	-	1,781	
Impairment loss	-	-	-	-	-	-	-	199	-	-	-	-	-	199	-	199	
Currency translation differences	-	-	-	-	-	-	-	-	-	4,895	-	-	-	4,895	2,094	6,989	
Total other comprehensive (loss)/income	-	-	-	-	-	(1,198)	658	1,322	-	4,895	-	-	-	5,677	2,094	7,771	
Total comprehensive (loss)/income	-	-	-	-	-	(1,198)	658	1,322	-	4,895	-	166,604	-	172,281	20,186	192,467	
Final 2009 dividend declared	15	-	-	-	-	-	-	-	-	-	-	-	(92,198)	(92,198)	-	(92,198)	
Share repurchased and cancelled	32(c)	(1,270)	-	1,270	-	-	-	-	-	-	-	(27,083)	-	(27,083)	-	(27,083)	
Purchase of shares for share award scheme	34	-	(7,910)	-	-	-	-	-	-	-	-	-	-	(7,910)	-	(7,910)	
Equity compensation expenses	34	-	-	-	-	-	-	-	-	-	3,303	-	-	3,303	-	3,303	
Reduction in final 2009 dividend due to repurchase of shares		-	-	-	-	-	-	-	-	-	-	230	(230)	-	-	-	
Allocation to legal reserve		-	-	-	-	-	-	-	6,240	-	-	(6,240)	-	-	-	-	
Interim 2010 dividend	15	-	-	-	-	-	-	-	-	-	-	-	-	(36,523)	-	(36,523)	
Proposed final 2010 dividend	15	-	-	-	-	-	-	-	-	-	-	(91,047)	91,047	-	-	-	
Proposed special 2010 dividend	15	-	-	-	-	-	-	-	-	-	-	(81,942)	81,942	-	-	-	
Acquisition of additional interests in subsidiaries	35	-	-	-	-	-	-	-	-	-	-	-	-	-	(66,142)	(66,142)	
Partial disposal of subsidiaries	35	-	-	-	-	-	-	-	(3,499)	(26,897)	-	3,499	-	(26,897)	(27,815)	(54,712)	
Contribution from minority shareholders		-	-	-	-	-	-	-	-	-	-	-	-	-	2,954	2,954	
Dividends paid to minority shareholders		-	-	-	-	-	-	-	-	-	-	-	-	-	(19,763)	(19,763)	
At 31 March 2010		91,158	1,559,461	(7,910)	2,236	(814)	(6,925)	4,400	(96)	114,725	89,947	3,303	836,614	172,989	2,859,088	126,378	2,987,466

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Cash flows from operating activities			
Profit before income tax from continuing operations		190,469	330,808
Profit/(loss) before income tax from discontinued operations	12	20,560	(469,067)
Profit/(loss) before tax including discontinued operations		211,029	(138,259)
Adjustments for:			
Finance costs		18,473	66,422
Share of loss of associates	22	2,639	1,560
Bank interest income		(9,899)	(26,686)
Dividend income from available-for-sale financial assets	5	(347)	(347)
Gain on disposal of intangible assets	5	(240)	–
Restricted share award scheme expenses	34	3,303	–
Loss from fire on inventories	10	–	30,331
Impairment of property, plant and equipment	16	–	260,499
Impairment/write off of intangible assets	18	85	3,041
Impairment of properties under construction	20	–	27,807
Impairment of available-for-sale financial assets		199	–
Fair value gain on derivative financial instruments not qualified as hedges, net	26	(317)	(104,055)
Gain on partial disposal of subsidiaries	35	(17,460)	–
Depreciation of property, plant and equipment	16	113,682	145,212
Amortisation of land use rights	17	3,930	3,831
Amortisation of intangible assets	18	638	–
Impairment on trade and bills receivables	6	7,299	20,846
Impairment of deposits	6	–	11,300
Write-down of inventories to net realisable value	6	4,502	64,125
Loss on disposal of property, plant and equipment	6	4,440	2,717
Fair value loss on structured borrowings	6	–	14,741
		341,956	383,085
(Increase)/decrease in inventories		(227,259)	257,387
(Increase)/decrease in trade and bills receivables		(87,555)	331,953
(Increase)/decrease in prepayments, deposits and other receivables		(8,819)	6,700
Increase in amounts due from associates		(6,442)	(504)
Increase/(decrease) in trade and bills payables		110,530	(135,699)
Increase/(decrease) in other payables and accrued liabilities		13,234	(36,541)
Cash generated from operations		135,645	806,381
Hong Kong profits tax paid		(10,274)	(12,219)
Mainland China tax paid		(10,427)	(12,199)
Net cash inflow from operating activities		114,944	781,963

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Cash flows from investing activities			
Proceeds from disposal of intangible assets	37(a)(iii)	400	–
Settlement of derivative financial instruments		3,892	(17,783)
Interest received		10,459	29,291
Dividend received from available-for-sale investments	5	347	347
Acquisition of additional interests in subsidiaries	35(a)	(27,055)	–
Purchases of property, plant and equipment	16	(42,470)	(100,885)
Purchases of software	18	(2,152)	–
Additions to properties under construction	20	(21,128)	(65,355)
Capital injection in an associate	22	(1,554)	(1,560)
Cash and cash equivalents sold on partial disposal of subsidiaries		(29,771)	–
Proceeds from disposal of property, plant and equipment		11,042	2,200
(Increase)/decrease in time deposits with original maturity of over three months		(1)	5
Decrease in pledged time deposits		103,969	206,864
Net cash inflow from investing activities		5,978	53,124
Cash flows from financing activities			
Issue of new shares, net	32(b)	–	866,966
Repurchase of shares	32(c)	(27,083)	–
Purchases of shares for share award scheme	34	(7,910)	–
Redemption of convertible bonds		–	(11)
Dividends paid		(128,721)	(46,214)
Dividends paid to minority shareholders		(19,763)	(12,013)
Proceeds from borrowings		133,340	214,810
Repayment of borrowings		(257,187)	(1,199,813)
Decrease in trust receipt loans, net		–	(20,857)
Contributions from minority shareholders		2,954	10,266
Interest paid		(19,162)	(72,077)
Repayment of structured borrowings		–	(79,559)
Net cash outflow from financing activities		(323,532)	(338,502)
Net (decrease)/increase in cash and cash equivalents		(202,610)	496,585
Cash and cash equivalents at beginning of year		1,309,770	810,807
Effect of foreign exchange rate changes, net		1,618	2,378
Cash and cash equivalents at end of year	27	1,108,778	1,309,770
Analysis of balances of cash and cash equivalents			
Cash and bank balances	27	620,005	292,472
Time deposits with original maturity of less than three months when acquired		488,773	1,017,298
		1,108,778	1,309,770

The notes on pages 65 to 157 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

Hung Hing Printing Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries are collectively referred to as the “Group”. The Group is engaged in the following principal activities:

- Book and package printing;
- Consumer product packaging;
- Corrugated box; and
- Trading of paper.

During the year, the Group discontinued the paper manufacturing business as set out in Note 12.

These consolidated financial statements are presented in thousands of HK dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 14 July 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention, and modified by the revaluation of derivative financial instruments, available-for-sale financial assets and intangible assets which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1 BASIS OF PREPARATION (Continued)

Prior year adjustments

Accounting treatment of club debentures

The Group held some club debentures in Hong Kong and the People's Republic of China ("PRC"). In the prior years, these club debentures were classified as available-for-sale ("AFS") financial assets, carried at fair value net of transaction costs (the "Net Fair Value") at initial recognition and at the end of the reporting period with any changes in the Net Fair Value being charged or credited to the AFS revaluation reserve in the period when the change occurs.

Having undertaken a detailed review of the terms and conditions of the club debentures, the Group has reclassified and re-measured the club debentures as follows:

1) Intangible assets

The club debentures which represent neither an equity interest in the club nor a contractual right to receive cash or another financial asset from another entity are classified as intangible assets. They are stated at fair value based on annual valuation by referring to active market value, less subsequent amortisation. Any accumulated amortisation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

2) AFS

For club debentures which are meeting the criteria for classification as AFS, they are carried at fair value at initial recognition and with any changes in fair value, other than impairment losses, being charged or credited to the AFS revaluation reserve in the period when the change occurs.

Comparative information has been restated to reflect this change and the effect to the consolidated balance sheet as at 31 March 2009 and 2008 is as follows:

	2009 HK\$'000	2008 HK\$'000
<hr/>		
Non-current assets		
Increase in intangible assets	5,231	8,472
Decrease in AFS	(2,418)	(5,659)
Equity		
Increase in intangible assets revaluation reserve	(3,742)	(6,992)
Decrease in AFS revaluation reserve	929	4,179
	<hr/>	

2.1 BASIS OF PREPARATION (Continued)

Prior year adjustments (Continued)

The prior year adjustments represent:

- 1) the reclassification of certain club debentures from AFS to intangible assets, and the associated AFS revaluation reserve to intangible assets revaluation reserve; and
- 2) the fair value adjustment of the Group's club debentures to exclude the transaction costs.

The prior year adjustments have no impact to the consolidated income statement, and hence there is no impact on the basic and diluted earnings per share for the year ended 31 March 2009.

New and Amended Standards adopted by the Group

The following new standards and amendments to standards are mandatory and adopted by the Group for the financial year beginning 1 April 2009, but have no significant impact on the Group's financial statements:

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on total equity and earnings/(loss) per share.
- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on total equity and earnings/(loss) per share.
- HKFRS 2 (amendment), 'Share-based payment' deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company have adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

2.1 BASIS OF PREPARATION (Continued)

New and Amended Standards adopted by the Group (Continued)

- HKAS 23, 'Borrowing costs'. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. The change in accounting policy had no material impact on the Group's financial statements.
- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The financial information has been prepared under the new requirement. This has resulted in changes of reportable segments presented, as the previously reported paper and carton box printing and manufacturing and corrugated carton manufacturing segments have been split into book and package printing, corrugated box and consumer product packaging segments. The definition of the reportable segments is set out in Note 4 to the financial statements.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management committee (Note 2.3).

2.1 BASIS OF PREPARATION (Continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new/revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended 31 March 2010 and which the Group has not early adopted:

HKAS 24 (Revised)	Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
HKAS 32 (Amendment)	Financial Instruments: Presentation on Classification of Rights Issue (effective for annual periods beginning on or after 1 February 2010)
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July 2009)
HKFRS 1 (Revised)	First-time Adoption of HKFRS (effective for annual periods beginning on or after 1 July 2009)
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)
HKFRS 2 (Amendment)	Share-based Payments – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010)
HKFRS 3 (Revised)	Business Combinations (effective for annual periods beginning on or after 1 July 2009)
HKFRS 9	Financial Instruments (effective for annual periods beginning on or after 1 January 2013)
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) – Int 18	Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)

2.1 BASIS OF PREPARATION (Continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

Improvements to HKFRS 2009 - Amendments to:

HKAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010)
HKAS 7	Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010)
HKAS 17	Leases (effective for annual periods beginning on or after 1 January 2010)
HKAS 18	Revenue (effective for annual periods beginning on or after 1 January 2010)
HKAS 36	Impairment of Assets (effective for annual periods beginning on or after 1 January 2010)
HKAS 38	Intangible Assets (effective for annual periods beginning on or after 1 July 2009)
HKAS 39	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010)
HKFRS 2	Share-based Payment (effective for annual periods beginning on or after 1 July 2009)
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations (First and second amendments to be effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, respectively)
HK(IFRIC) – Int 9 and HKFRS 3 (Revised)	Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July 2009)

2.1 BASIS OF PREPARATION (Continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

Improvements to HKFRS 2010 - Amendments to:

HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2011)
HKFRS 3	Business Combinations (effective for annual periods beginning on or after 1 July 2010)
HKFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011)
HKAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011)
HKAS 27	Transition requirements for amendments arising as a result of HKAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2011)
HKAS 34	HKAS 34 Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2011)
HK(IFRIC) – Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011)

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact to its results of operations and financial position.

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2.2 CONSOLIDATION (Continued)

(a) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interests in associates include goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2.8 for the impairment of non-financial assets including goodwill.

2.2 CONSOLIDATION (Continued)

(c) Associates (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the interests in associates are stated at cost less provision for impairment losses (Note 2.8). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management committee.

2.4 FUNCTIONAL CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars (HK\$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.4 FUNCTIONAL CURRENCY TRANSLATION (Continued)

(b) Transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets such as club debentures classified as available-for-sale are included in the available-for-sale investment revaluation reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in statement of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is provided to allocate their costs to their residual values over their estimated useful lives. The principal annual rates and bases used are as follows:

Buildings situated in Hong Kong	Over the shorter of the useful lives of the assets or lease terms of the associated land use rights
Buildings situated in the PRC	Over the shorter of the lease terms of the associated land use rights 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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

All asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in 'other income and gains, net' in the consolidated income statement.

Properties under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the construction and comprises construction costs and applicable borrowing costs incurred during the construction period. On completion, the construction in progress is transferred to other categories within property, plant and equipment.

No depreciation is provided for properties under construction. The carrying amount of properties under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

2.6 LAND USE RIGHTS

Land use rights are up-front payments to acquire long-term interest in leasehold land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land from the date when the respective rights were granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the lease and is recognised in the consolidated income statement within administrative and selling expenses.

2.7 INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable to acquisition of software products are recognised as intangible assets. Computer software recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

(c) Club debentures

Club debentures are initially recognised at cost, subsequently at revaluation and amortised over their estimated useful lives of ten years.

Club debentures that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

2.8 IMPAIRMENT OF INTERESTS IN SUBSIDIARIES, ASSOCIATES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the interests in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivables", "other receivables", "pledged time deposits" and "cash and cash equivalents" in the balance sheet (Notes 2.13 and 2.14).

2.9 FINANCIAL ASSETS (Continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the end of the reporting period.

An unquoted equity instrument classified as available-for-sale financial assets whose fair value cannot be reliably measured, is carried at cost.

(d) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are separately presented in the consolidated income statement in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

2.9 FINANCIAL ASSETS (Continued)

(e) Impairment of financial assets

(i) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2.9 FINANCIAL ASSETS (Continued)

(e) Impairment of financial assets (Continued)

(i) *Assets carried at amortised cost (Continued)*

The Group first assesses whether objective evidence of impairment exists.

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. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.10 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 26. Movements on the hedging reserve in shareholders' equity are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately and presented separately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised and presented separately in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

2.11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Cash flow hedge (Continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.16 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 EMPLOYEE BENEFITS

(i) Employee leave entitlements

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.

(ii) Pension obligations

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.

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 the PRC 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.

(iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 SHARE-BASED PAYMENTS

The Group operates an equity-settled, share-based compensation plan (the “Restricted Share Award Scheme”), under which the entity receives services from employees as consideration for equity instruments (shares) of the Company. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Under the Restricted Share Award Scheme, directors and employees of the Group are entitled to receive shares of the Company. The shares held under trust by Law Debenture Trust (Asia) Limited for the benefit of the directors and employees. The Trustee may be instructed to buy shares from the market using the funds held by the Trustee. Details of outstanding shares can be referred to Note 34.

2.21 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.21 PROVISIONS (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customers. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.23 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.24 BORROWING COSTS

After the adoption of HKAS 23 in the current year, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset. Other borrowing costs are expensed as incurred.

In prior years (before the adoption of HKAS 23), borrowing costs are expensed as incurred.

2.25 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or the board of directors.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimate of useful lives of property, plant and equipment

The Group has significant property, plant and equipment. The Group determines the estimated useful lives and residual values in order to ascertain the amount of depreciation charges for each reporting period. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives or residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Provision for impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items.

(c) Provision for impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each balance sheet date.

Significant judgement is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Income taxes

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(e) Fair value estimation of derivative financial instruments and available-for-sale financial assets

The fair value of derivative financial instruments and available-for-sale financial assets which are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the issue date and each subsequent balance sheet date. The valuation model requires the input of both observable and unobservable data. Changes in these unobservable and subjective input assumptions can materially affect the fair value estimate of derivative financial instruments and available-for-sale financial assets.

(f) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets, property, plant and equipment and investments in subsidiaries and associates are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The Group reviews for impairment of the intangible assets and property, plant and equipment in accordance with the accounting policy stated in Note 2.8.

The recoverable amount of the property, plant and equipment has been determined based on value-in-use calculation. These calculations require the use of estimates based on the Group's best estimate of the expected cash inflow generated from the use of property, plant and equipment throughout their useful lives.

Adjustments will be made if the actual performance differs from the original estimates.

4 SEGMENT INFORMATION

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed by the management committee. The management committee comprising managing director, the chief operating officer and other senior management, that are used to make strategic decisions and assess performance.

Management has determined the operating segments based on these reports. The Group is organised into four business segments:

- (a) Book & Package Printing segment;
- (b) Consumer Product Packaging segment;
- (c) Corrugated Box segment; and
- (d) Paper Trading segment.

In prior years, the paper manufacturing business was presented as a separate segment in segment information. In the current year upon the completion of partial disposal of the subsidiaries engaging in the paper manufacturing business in February 2010 (Note 12), the paper manufacturing segment is presented as discontinued operations. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Revenue is allocated based on the places/countries in which the customers are located.

Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other expenses that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out at arm's length.

4 SEGMENT INFORMATION (Continued)

Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 March 2010 and 2009.

	Continuing Operations										Discontinued Operations			
	Book & Package		Consumer Product		Corrugated Box		Paper Trading		Eliminations		Total Continuing Operations		Paper Manufacturing	
	Printing		Packaging											
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
HK\$'000	HK\$'000	HK\$'000	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	1,178,290	1,448,251	621,178	752,334	255,727	341,391	342,655	331,734	-	-	2,397,850	2,873,710	380,750	585,185
Intersegment sales	23,744	41,543	14,256	14,160	78,258	140,367	396,706	302,883	(512,964)	(498,953)	-	-	65,555	137,774
Total	1,202,034	1,489,794	635,434	766,494	333,985	481,758	739,361	634,617	(512,964)	(498,953)	2,397,850	2,873,710	446,305	722,959
Segment results	119,304	89,753	39,367	68,127	33,868	88,421	45,408	54,900	(4,177)	3,418	233,770	304,619	8,136	(142,299)
Interest, dividend income and other gains											9,100	17,662	1,825	9,371
Corporate and unallocated expenses											(38,467)	(42,007)	-	-
											204,403	280,274	9,961	(132,928)
Loss from fire											-	-	-	(30,331)
Impairment of property, plant and equipment											-	-	-	(260,499)
Impairment of goodwill											-	-	-	(3,041)
Impairment of properties under construction (Note 20)											-	-	-	(27,807)
Fair value gain on derivative financial instruments not qualified as hedges, net											116	90,570	201	13,485
Gain on partial disposal of subsidiaries											-	-	17,460	-
											204,519	370,844	27,622	(441,121)
Finance costs											(11,411)	(38,476)	(7,062)	(27,946)
Share of loss of an associate	(3,445)	(1,560)	-	-	-	-	-	-	-	-	(3,445)	(1,560)	-	-
Share of profit of other associates											806	-	-	-
Profit/(loss) before income tax											190,469	330,808	20,560	(469,067)
Income tax expense											(24,890)	(26,172)	(1,443)	(1,008)
Profit/(loss) for the year											165,579	304,636	19,117	(470,075)

4 SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Continuing Operations										Discontinued Operations			
	Box & Package Printing		Consumer Product Packaging		Corrugated Box		Paper Trading		Unallocated		Total Continuing Operations		Paper Manufacturing	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	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														
Property, plant and equipment	652,754	648,925	497,558	516,123	119,928	131,756	33,737	36,483	198	280	1,304,175	1,333,567	n/a	29,035
Land use rights	49,995	51,372	38,487	39,210	6,453	6,788	17,393	17,796	-	-	112,328	115,166	n/a	32,693
Properties under construction	94	33,806	155	-	-	-	-	-	-	-	249	33,806	n/a	2,188
Inventories	253,974	161,326	130,336	117,403	52,981	45,753	218,871	126,837	-	-	656,162	451,319	n/a	52,638
Trade and bills receivables	253,244	246,274	125,045	111,717	68,086	52,472	78,387	55,709	-	-	524,762	466,172	n/a	72,123
Liabilities														
Trade and bills payables	43,107	35,970	56,733	42,264	16,498	11,817	50,242	18,847	-	-	166,580	108,898	n/a	19,536
Capital expenditure	35,037	113,012	26,143	16,070	448	2,250	78	1,019	7	-	61,713	132,351	n/a	33,889

The analysis of the Group's revenue from external customers attributed to the locations in which the customers are located during the year consists of the following:

	Year ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
Continuing operations		
Hong Kong	910,978	1,077,183
The PRC	617,487	719,111
Europe	415,688	591,765
United States of America	306,600	301,480
Others	147,097	184,171
	2,397,850	2,873,710
Discontinued operations – the PRC	380,750	585,185
	2,778,600	3,458,895

During the years ended 31 March 2010 and 2009, no single customer accounted for 10% or more of total revenue.

5 REVENUE, OTHER INCOME AND GAINS

The Group's revenue consists of the following:

	2010 HK\$'000	2009 HK\$'000
Revenue:		
Sale of goods	2,397,850	2,873,710
Other income and gains:		
Dividend income from available-for-sale financial assets	347	347
Bank interest income	8,074	17,315
Gain on disposal of intangible assets	240	–
Foreign exchange gain, net	2,709	–
Sundry income	5,478	29,750
	16,848	47,412

6 EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs, administrative and selling expenses, and other expenses are analysed as follows:

	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	110,300	116,017	3,382	29,195	113,682	145,212
Amortisation of land use rights	3,098	2,925	832	906	3,930	3,831
Amortisation of intangible assets	638	-	-	-	638	-
Auditor's remuneration	1,608	2,632	192	289	1,800	2,921
Employee benefit expense - excluding						
Directors' emoluments (Note 8)	471,628	527,669	32,702	40,828	504,330	568,497
Directors' emoluments (Note 9)	18,090	10,742	-	-	18,090	10,742
Operating lease charges in respect of						
land and buildings	6,825	9,148	-	-	6,825	9,148
Foreign exchange loss/(gain), net	-	14,524	-	(11,007)	-	3,517
Impairment of trade and bills						
receivables (Note 24)	7,076	18,129	223	2,717	7,299	20,846
Impairment of deposits	-	-	-	11,300	-	11,300
Write-down of inventories to net						
realisable value	4,229	4,155	273	59,970	4,502	64,125
Loss/(gain) on disposals of property,						
plant and equipment	4,443	2,677	(3)	40	4,440	2,717
Fair value loss on structured						
borrowings	-	14,741	-	-	-	14,741

7 FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interests on bank borrowings wholly repayable within five years	11,411	38,476

8 EMPLOYEE BENEFIT EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2010 HK\$'000	2009 HK\$'000
Salaries, allowance and benefits in kind	473,178	536,991
Retirement schemes contributions	28,921	31,506
Share-based payments (Note 34)	2,231	–
	504,330	568,497

9 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to the directors of the Company during the year are as follows:

	2010 HK\$'000	2009 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	589	616
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	7,925	7,419
Retirement scheme contributions	214	213
Share-based payments (Note 34)	1,072	–
Discretionary bonus	8,290	2,494
	18,090	10,742

9 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of each director of the Company during the year are as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Share-based payments HK\$'000	Discretionary bonus HK\$'000	Total remuneration HK\$'000
2010						
Executive directors:						
Yum Chak Ming, Matthew	-	4,369	202	785	3,488	8,844
Yam Ho Ming, Michael	-	1,962	-	-	1,644	3,606
Sung Chee Keung	-	1,594	12	287	3,158	5,051
	-	7,925	214	1,072	8,290	17,501
Non-executive directors:						
Peter Martin Springford	100	-	-	-	-	100
David Murray Lonie	39	-	-	-	-	39
Ho Chi Kit	-	-	-	-	-	-
Lam Tsz-Wang, Alvin	-	-	-	-	-	-
	139	-	-	-	-	139
Independent non-executive directors:						
Yip Yu Bun	59	-	-	-	-	59
Wong Siu Ping	-	-	-	-	-	-
Yap, Alfred Donald	150	-	-	-	-	150
Luk Koon Hoo	150	-	-	-	-	150
Lo Chi Hong	91	-	-	-	-	91
	450	-	-	-	-	450

9 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Share-based payments HK\$'000	Discretionary bonus 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
Independent non-executive directors:						
Yip Yu Bun	150	-	-	-	-	150
Wong Siu Ping	42	-	-	-	-	42
Yap, Alfred Donald	150	-	-	-	-	150
Luk Koon Hoo	94	-	-	-	-	94
Lo Chi Hong	-	-	-	-	-	-
	436	-	-	-	-	436

9 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.

For the year ended 31 March 2009, Mr. Ho Chi Kit and Mr. Lam Tsz-Wang, Alvin waived their directors' fees of HK\$35,342 and HK\$35,342, respectively.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included three executive directors (2009: two). Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: three) individuals during the year are as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries, allowances and benefits in kind	4,398	7,576
Share-based payments (Note 34)	791	–
Retirement scheme contributions	89	204
Discretionary bonus	2,459	557
	7,737	8,337

The number of highest paid individuals whose remuneration fell within the following bands:

	Number of individuals	
	2010	2009
HK\$2,000,001 - HK\$2,500,000	–	2
HK\$2,500,001 - HK\$3,000,000	1	–
HK\$3,500,001 - HK\$4,000,000	–	1
HK\$4,500,001 - HK\$5,000,000	1	–
	2	3

10 LOSS FROM FIRE – DISCONTINUED OPERATIONS

In prior year, a loss arose from the write-off of inventories amounted to HK\$30,331,000 due to a fire accident of two of the Group's PRC subsidiaries. Due to the uncertainty of the recoverability of the insurance claim, no insurance compensation was recorded in last year.

During the year, an insurance compensation has been received and recognised in the discontinued operations of HK\$18,009,000.

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010	2009
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	14,345	13,210
– PRC corporate income tax	16,926	21,476
Over provisions in prior years	–	(318)
Tax refund #	–	(4,063)
Total current tax	31,271	30,305
Deferred tax (Note 31)	(6,381)	(4,133)
Income tax expense	24,890	26,172

- # Under certain PRC local income tax laws, a subsidiary of the Company was 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. For the year ended 31 March 2009, a subsidiary of the Company was granted such status from relevant authorities in respect of its operations in prior years and was entitled to a tax refund.

11 INCOME TAX EXPENSE (Continued)

Reconciliation between tax expenses and profit before income tax from continuing operations at applicable tax rates:

	2010 HK\$'000	2009 HK\$'000
Profit before income tax from continuing operations	190,469	330,808
Tax calculated at domestic tax rates applicable to profits in the respective countries	42,004	67,649
Effect of preferential tax rates*	(14,485)	(20,468)
Effect on opening deferred tax decrease in rates	–	(749)
Adjustment in respect of current tax of previous periods	–	(318)
Tax refund	–	(4,063)
Tax effect of share of results of associates	435	257
Income not subject to tax	(824)	(25,458)
Expenses not deductible for tax purpose	2,949	18,707
Effect of withholding tax at 5% or 10% on the distributable profits of the Group's PRC subsidiaries	–	1,834
Utilisation of previously unrecognised tax losses	(6,728)	(14,254)
Tax losses for which no deferred income tax asset was recognised	1,444	3,035
Others	95	–
Tax charge at the Group's effective tax rate	24,890	26,172

- * Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at rate of 25% (2009: 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%.

11 INCOME TAX EXPENSE (Continued)

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	Before tax HK\$'000	2010 Tax charge HK\$'000	After tax HK\$'000
Fair value gains:			
– Intangible assets	658	–	658
– Available-for-sale financial assets	1,123	–	1,123
Cash flow hedges	(917)	(281)	(1,198)
Impairment of available-for-sale financial assets	199	–	199
Currency translation differences	6,989	–	6,989
Other comprehensive income	8,052	(281)	7,771
		2009	
	Before tax HK\$'000	Tax credit HK\$'000	After tax HK\$'000
Fair value loss:			
– Intangible assets	(3,250)	–	(3,250)
– Available-for-sale financial assets	(2,041)	–	(2,041)
Cash flow hedges	(4,490)	717	(3,773)
Currency translation differences	12,161	–	12,161
Other comprehensive income	2,380	717	3,097

12 DISCONTINUED OPERATIONS

During the year, the Group's paper manufacturing operation was discontinued following the disposal of 25% and 5% equity interests in each of the two subsidiaries, Zhongshan Ren Hing Paper Manufacturing Company Limited ("Ren Hing") and Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited ("Rengo") (collectively referred to as the "Paper Mill Entities"), for a total consideration of RMB8,333,000 (approximately HK\$9,470,000) and RMB1,666,000 (approximately HK\$1,894,000) to LeMonde Inc ("LeMonde") and Homegrace Consultants Limited ("Homegrace"), respectively (Note 35).

As a result, the effective interest held by the Group in the Paper Mill Entities was reduced from 58.84% to 30.94% and hence the Paper Mill Entities are accounted for as associates of the Company since February 2010, using the equity method of accounting and are initially recognised at the Group's share of net asset value. The remaining interest of 30.94% is included in "Interests in associates" on the consolidated balance sheet as at 31 March 2010 and the Group's share of their results from the date of disposal to 31 March 2010 are presented as "Share of loss of associates" in the consolidated income statement.

This partial disposal resulted in a gain on partial disposal of subsidiaries of HK\$17,460,000 (Note 35(b)).

The results pertaining to the paper manufacturing segment is presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Note 4 sets out details of the operating results of the discontinued operations up to the date of disposal.

12 DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations for the period from 1 April 2009 to the effective date of disposal together with comparative figures, which have been included in the consolidated income statement, are as follows:

	2010	2009
	HK\$'000	HK\$'000
Revenue	380,750	585,185
Cost of sales	(365,406)	(684,602)
Other income and gains – compensation from loss from fire (Note 10)	18,009	–
Other income and gains - others	2,603	10,231
Distribution costs	(5,462)	(6,759)
Administrative and selling expenses	(20,313)	(34,557)
Other expenses	(220)	(2,426)
Loss from fire	–	(30,331)
Impairment of property, plant and equipment	–	(260,499)
Impairment of properties under construction	–	(27,807)
Fair value gain on derivative financial instruments not qualified as hedges, net	201	13,485
Finance costs	(7,062)	(27,946)
Profit/(loss) before income tax	3,100	(466,026)
Income tax expense	(1,443)	(1,008)
Profit/(loss) for the period/year	1,657	(467,034)
Gain on partial disposal of subsidiaries (Note 35(b))	17,460	–
Impairment of goodwill	–	(3,041)
Profit/(loss) from discontinued operations	19,117	(470,075)

12 DISCONTINUED OPERATIONS (Continued)

During the year, the discontinued operation contributed a net cash outflow of HK\$33,637,000 (2009: inflow of HK\$20,657,000) to the Group.

	2010 HK\$'000	2009 HK\$'000
Cash flows from:		
Operating activities	(59,489)	101,195
Investing activities	(5,813)	(6,682)
Financing activities	31,665	(73,856)
Net cash (outflow)/inflow	(33,637)	20,657

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$225,967,000 (2009: HK\$6,868,000).

14 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company (Note 32).

	2010 HK\$'000	2009 HK\$'000
Profit from continuing operations attributable to equity holders of the Company	148,169	279,613
Profit/(loss) from discontinued operations attributable to equity holders of the Company	18,435	(277,844)
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	916,978	837,423
Basic earnings/(loss) per share (HK cents per share)		
– Continuing operations	16.2	33.4
– Discontinued operations	2.0	(33.2)

14 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted earnings/(loss) per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme (Note 34). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

	2010	2009
	HK\$'000	HK\$'000
Profit from continuing operations attributable to equity holders of the Company	148,169	279,613
Profit/(loss) from discontinued operations attributable to equity holders of the Company	18,435	(277,844)
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	919,528	837,423
Diluted earnings/(loss) per share (HK cents per share)		
– Continuing operations	16.1	33.4
– Discontinued operations	2.0	(33.2)

Diluted earnings/(loss) per share was the same as basic earnings/(loss) per share for the year ended 31 March 2009 as there were no potentially dilutive ordinary shares outstanding during the year.

15 DIVIDENDS

	2010	2009
	HK\$'000	HK\$'000
Interim dividend of HK4 cents (2009: HK4 cents) per ordinary share	36,523	36,971
Proposed final dividend of HK10 cents (2009: HK10 cents) per ordinary share	91,047	92,428
Proposed special dividend of HK9 cents (2009: nil) per ordinary share	81,942	–
	209,512	129,399

The Directors recommend the payment of a final dividend and a special dividend of HK10 cents and HK9 cents per ordinary share respectively, totalling HK\$172,989,000. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company to be held on 30 August 2010. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividends in reserves (Note 33).

16 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
At 1 April 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 book amount	488,329	823,446	9,738	41,089	1,362,602
Year ended 31 March 2010					
Opening net book amount	488,329	823,446	9,738	41,089	1,362,602
Additions	1,123	36,735	1,756	2,856	42,470
Transfer from properties under construction (Note 20)	42,640	3,812	–	9,501	55,953
Disposals	–	(15,050)	(122)	(310)	(15,482)
Depreciation	(17,382)	(85,798)	(2,898)	(7,604)	(113,682)
Disposal of subsidiaries	(8,523)	(21,787)	(2,032)	(249)	(32,591)
Exchange differences	1,709	3,106	27	63	4,905
Closing net book amount	507,896	744,464	6,469	45,346	1,304,175
At 31 March 2010:					
Cost	658,336	1,562,748	33,061	121,504	2,375,649
Accumulated depreciation and impairment	(150,440)	(818,284)	(26,592)	(76,158)	(1,071,474)
Net book amount	507,896	744,464	6,469	45,346	1,304,175

16 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
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 book amount	549,499	1,014,643	11,736	44,019	1,619,897
Year ended 31 March 2009					
Opening net book amount	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 20)	9,906	30,234	–	2,555	42,695
Disposals	(495)	(3,928)	(351)	(143)	(4,917)
Depreciation	(20,897)	(111,989)	(3,658)	(8,668)	(145,212)
Impairment	(62,819)	(195,642)	(576)	(1,462)	(260,499)
Exchange differences	3,568	5,985	54	146	9,753
Closing net book amount	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 book amount	488,329	823,446	9,738	41,089	1,362,602

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain buildings and plant and machinery of the Group with a total net book value of HK\$77,447,000 (2009: HK\$107,728,000) have been pledged to secure banking facilities granted to the Group.

Company

	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
At 1 April 2009:			
Cost	785	827	1,612
Accumulated depreciation	(559)	(773)	(1,332)
Net book amount	226	54	280
Year ended 31 March 2010			
Opening net book amount	226	54	280
Additions	–	7	7
Disposals	(12)	–	(12)
Depreciation	(64)	(14)	(78)
Closing net book amount	150	47	197
At 31 March 2010:			
Cost	512	834	1,346
Accumulated depreciation	(362)	(787)	(1,149)
Net book amount	150	47	197
At 1 April 2008:			
Cost	1,976	827	2,803
Accumulated depreciation	(1,628)	(755)	(2,383)
Net book amount	348	72	420
Year ended 31 March 2009			
Opening net book amount	348	72	420
Disposals	(21)	–	(21)
Depreciation	(101)	(18)	(119)
Closing net book amount	226	54	280
At 31 March 2009:			
Cost	785	827	1,612
Accumulated depreciation	(559)	(773)	(1,332)
Net book amount	226	54	280

17 LAND USE RIGHTS

The movements of land use rights are as follows:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Opening net book amount	147,859	150,784	9,878	10,437
Amortisation	(3,930)	(3,831)	(559)	(559)
Disposal of subsidiaries	(32,045)	–	–	–
Exchange differences	444	906	–	–
Closing net book amount	112,328	147,859	9,319	9,878

Amortisation of land use rights has been included in administrative and selling expenses.

The Group's and the Company's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong:				
Medium term leases	19,428	19,968	–	–
The PRC:				
Medium term leases	92,900	127,891	9,319	9,878
Closing net book amount	112,328	147,859	9,319	9,878

Certain leasehold lands of the Group with a total net book value of HK\$17,312,000 (2009: HK\$50,373,000) have been pledged to banks to secure banking facilities granted to the Group.

18 INTANGIBLE ASSETS

Group

	Goodwill HK'000	Club debentures HK'000 (Restated)	Software HK'000	Total HK'000 (Restated)
At 1 April 2009:				
Cost or valuation, as previously reported	3,041	–	–	3,041
Prior year adjustment (Note 2.1)	–	5,231	–	5,231
Cost or valuation, as restated	3,041	5,231	–	8,272
Accumulated amortisation and impairment	(3,041)	–	–	(3,041)
Net book amount, as restated	–	5,231	–	5,231
Year ended 31 March 2010				
Opening net book amount, as restated	–	5,231	–	5,231
Additions	–	–	2,152	2,152
Fair value changes	–	1,700	–	1,700
Acquisition of additional interests in subsidiaries (Note 35(a))	1,634	–	–	1,634
Disposals	–	(1,300)	–	(1,300)
Amortisation	–	(338)	(300)	(638)
Write off	–	(85)	–	(85)
Exchange differences	–	4	–	4
Closing net book amount	1,634	5,212	1,852	8,698
At 31 March 2010:				
Cost or valuation	1,634	5,550	2,152	9,336
Accumulated amortisation and impairment	–	(338)	(300)	(638)
	1,634	5,212	1,852	8,698

18 INTANGIBLE ASSETS (Continued)

Group

	Goodwill HK'000	Club debentures HK'000 (Restated)	Software HK'000	Total HK'000 (Restated)
At 1 April 2008:				
Cost or valuation, as previously reported	3,041	–	–	3,041
Prior year adjustment (Note 2.1)	–	8,472	–	8,472
Cost or valuation, and net book amount, as restated	3,041	8,472	–	11,513
Year ended 31 March 2009				
Opening net book amount, as restated	3,041	8,472	–	11,513
Fair value changes	–	(3,250)	–	(3,250)
Impairment	(3,041)	–	–	(3,041)
Exchange differences	–	9	–	9
Closing net book amount, as restated	–	5,231	–	5,231
At 31 March 2009:				
Cost or valuation, as previously reported	3,041	–	–	3,041
Prior year adjustment (Note 2.1)	–	5,231	–	5,231
Cost or valuation, as restated	3,041	5,231	–	8,272
Accumulated amortisation and impairment	(3,041)	–	–	(3,041)
Net book amount, as restated	–	5,231	–	5,231

18 INTANGIBLE ASSETS (Continued)

Company

	Club debentures HK'000 (Restated)
<hr/>	
At 1 April 2009:	
Valuation, as previously reported	–
Prior year adjustment (Note 2.1)	85
	<hr/>
Valuation, as restated	85
	<hr/>
Year ended 31 March 2010	
Opening net book amount, as restated	85
Write off	(85)
	<hr/>
Closing net book amount	–
	<hr/>
At 31 March 2010:	
Valuation	–
	<hr/>
At 1 April 2008:	
Valuation, as previously reported	–
Prior year adjustment (Note 2.1)	85
	<hr/>
Valuation, as restated	85
	<hr/>
Year ended 31 March 2009	
Opening net book amount, as restated	85
Fair value changes	–
	<hr/>
Closing net book amount, as restated	85
	<hr/>
At 31 March 2009:	
Valuation, as restated	85
	<hr/>

18 INTANGIBLE ASSETS (Continued)

The analysis of the cost or valuation of the above assets is as follows:

Group	Goodwill	Club	Software	Total
	HK'000	debentures HK'000 (Restated)	HK'000	HK'000
At 31 March 2010				
At cost	1,634	750	2,152	4,536
At valuation	–	4,800	–	4,800
	1,634	5,550	2,152	9,336
At 31 March 2009 (Restated)				
At cost	3,041	746	–	3,787
At valuation	–	4,485	–	4,485
	3,041	5,231	–	8,272

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group			Company		
	2010 HK\$'000	2009 HK\$'000 (Restated)	2008 HK\$'000 (Restated)	2010 HK\$'000	2009 HK\$'000 (Restated)	2008 HK\$'000 (Restated)
Unlisted equity investments, at cost	80	80	80	–	–	–
Club debentures, at fair value, as restated	420	420	550	420	420	550
Hong Kong listed equity investments, at fair value	7,990	6,867	8,778	–	–	–
	8,490	7,367	9,408	420	420	550

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

During the year, a fair value gain of the Group's available-for-sale financial assets of HK\$1,123,000 (2009: loss of HK\$2,041,000) was recognised directly in the available-for-sale investment revaluation reserve.

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 equity investments are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

20 PROPERTIES UNDER CONSTRUCTION

	Group	
	2010	2009
	HK\$'000	HK\$'000
Opening net book amount	35,994	40,844
Additions	21,128	65,355
Transfer to property, plant and equipment (Note 16)	(55,953)	(42,695)
Impairment transferred to property, plant and equipment (Note 16)	–	(27,807)
Exchange differences	14	297
Disposal of subsidiaries	(934)	–
Closing net book amount	249	35,994

The properties under construction are located in the PRC.

21 INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK\$'000	HK\$'000
Unlisted shares, at cost	224,969	407,961
Provision for impairment	–	(150,599)
At 31 March – carrying value	224,969	257,362
At 1 April – carrying value	257,362	407,961
Partial disposal of interests in subsidiaries	(19,055)	–
Transfer to interests in associates due to partial disposal of interests in subsidiaries (Note 22)	(13,338)	–
Impairment	–	(150,599)
At 31 March – carrying value	224,969	257,362
Loan to a subsidiary	55,000	55,000
Interests in subsidiaries	279,969	312,362

21 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		Principal activities
			Direct	Indirect	
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 ^{§§}	The PRC	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	US\$18,000,000	–	71*	Printing and manufacturing of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited [§]	The PRC	US\$5,000,000	–	71*	Production and colour printing of paper products
Hung Hing International Limited	British Virgin Islands ("BVI"/)the PRC	US\$100	100	–	Investment holding

21 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		Principal activities
			Direct	Indirect	
South Gain Enterprises Limited	Hong Kong	HK\$1,700,000	–	71*	Selling and purchasing agent
Po Hing Packaging (Shenzhen) Company Limited ^{§§}	The PRC	US\$11,200,000	–	100	Printing and manufacturing of paper cartons
Zhongshan South Gain Paper Products Company Limited ^{§§}	The PRC	US\$15,000,000	–	71*	Printing and manufacturing of paper cartons
Sun Hing Paper (Shenzhen) Company Limited ^{§§}	The PRC	HK\$30,000,000	–	100	Paper trading
Hung Hing Packaging (Wuxi) Company Limited ^{§§}	The PRC	US\$24,000,000	100	–	Production and colour printing of paper products
Hung Hing Printing (Heshan) Company Limited ^{§§}	The PRC	HK\$180,000,000	–	100	Production and colour printing of paper products
Jun Hing Company Limited ^{§§}	The PRC	HK\$4,200,000	–	100	Paper trading

[§] Sino-foreign equity joint venture

^{§§} Wholly foreign-owned enterprise

* Upon the acquisition of additional interests in these subsidiaries (Note 35), the Group's effective interest increased from 56% as at 31 March 2009 to 71% as at 31 March 2010.

22 INTERESTS IN ASSOCIATES

	Company	
	2010	2009
	HK\$'000	HK\$'000
Unlisted shares, at cost		
At 1 April	1,560	–
Additions	1,554	1,560
Transfer from interests in subsidiaries (Note 21)	13,338	–
At 31 March	16,452	1,560
Provision for impairment		
At 1 April	(1,560)	–
Impairment	(1,554)	(1,560)
At 31 March	(3,114)	(1,560)
At 31 March – carrying value	13,338	–

Provision for impairment of HK\$3,114,000 (2009: HK\$1,560,000) has been recognised as at 31 March 2010 due to the continued loss making position of an associate.

	Group	
	2010	2009
	HK\$'000	HK\$'000
At 1 April	–	–
Additions	1,554	1,560
Transfer from interests in subsidiaries	20,832	–
Share of loss	(2,639)	(1,560)
Transfer to other payables (<i>Note</i>)	1,891	–
At 31 March	21,638	–

Note: The Group has provided guarantees to an associate for its bank borrowings, and hence the Group has recognised losses that exceed its interest in an associate amounting to HK\$1,891,000 (2009: Nil), this has been included in other payables in the consolidated balance sheet as at 31 March 2010.

22 INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates are as follows:

Name	Registered capital	Place of incorporation/ registration	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Graphic Hung Hing Packaging (Shanghai) Limited ("Graphic HH")	US\$1,000,000	The PRC	40%	–	Provision of beverage packaging services
Rengo [§] *	US\$28,830,000	The PRC	21%	9.94%	Paper manufacturing
Ren Hing ^{§*}	US\$14,710,000	The PRC	21%	9.94%	Paper manufacturing

[§] Sino-foreign equity joint venture

* Upon the disposal of partial interests in these entities (Notes 12 and 35), the Group's effective interest decreased from 58.84% as at 31 March 2009 to 30.94% as at 31 March 2010.

The following table illustrates the financial information summary of the Group's associates extracted from their management accounts:

	2010 HK\$'000	2009 HK\$'000
Assets	316,648	8,924
Liabilities	251,363	9,760
Revenue	62,239	3,207
Loss	6,006	3,900

23 INVENTORIES

	Group	
	2010 HK\$'000	2009 HK\$'000
Raw materials	543,690	341,799
Work in progress	57,561	57,796
Finished goods	54,911	104,362
	656,162	503,957

As at 31 March 2010, the carrying amount of inventories that were stated at net realisable value amounted to approximately HK\$29,056,000 (2009: HK\$88,870,000).

24 TRADE AND BILLS RECEIVABLES

	Group	
	2010 HK\$'000	2009 HK\$'000
Trade receivables	553,239	544,071
Less: provision for impairment of receivables	(30,463)	(33,271)
Trade receivables, net	522,776	510,800
Bills receivables	1,986	27,495
	524,762	538,295

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 trade and bills receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

24 TRADE AND BILLS RECEIVABLES (Continued)

The aging analysis of trade receivables at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
1 – 30 days	237,921	173,894
31 – 60 days	103,957	134,462
61 – 90 days	101,668	79,328
Over 90 days	79,230	123,116
	522,776	510,800

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
At 1 April	33,271	38,746
Provision for impairment of receivables	7,299	20,846
Amount written off as uncollectible	(1,348)	(26,422)
Disposal of subsidiaries	(8,743)	–
Exchange differences	(16)	101
At 31 March	30,463	33,271

The addition and reversal of provision for impaired receivables have been included in administrative and selling expenses in the consolidated income statement (Note 6). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

24 TRADE AND BILLS RECEIVABLES (Continued)

As of 31 March 2010, trade receivables of approximately HK\$115,287,000 (2009: HK\$190,145,000) were past due but not impaired. These relate to certain customers with no history of credit default and they are in continuous trading with the Group. Based on past experience, management believes 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 as fully recoverable. The aging analysis of these trade receivables based on due date is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
1 – 30 days	64,785	90,021
31 – 60 days	31,840	35,468
61 – 90 days	16,576	35,834
Over 90 days	2,086	28,822
	115,287	190,145

As of 31 March 2010, trade receivables of approximately HK\$30,463,000 (2009: HK\$33,271,000) were impaired and fully provided for. The individually impaired receivables were mainly related to smaller customers which were in financial difficulties. The aging analysis of these non-recoverable receivables based on due date is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Over 90 days	30,463	33,271

As of 31 March 2010, the fair values of the trade and bills receivables approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of the receivables. The Group does not hold any collateral as security (2009: same).

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

	As at 31 March	
	2010	2009
	HK\$'000	HK\$'000
HK\$	172,479	154,632
USD	178,705	175,846
RMB	160,571	182,205
Others	13,007	25,612
	524,762	538,295

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Prepayments and deposits	28,470	34,708	130	130
Other receivables	19,667	6,085	12,103	1,054
	48,137	40,793	12,233	1,184

26 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Non-current assets				
Forward currency contracts (Note a)	193	–	–	–
Current assets				
Forward currency contracts (Note a)	1,492	3,691	–	–
Non-current liabilities				
Forward currency contracts (Note a)	233	–	–	–
Current liabilities				
Forward currency contracts – Cash flow hedge (Note c)	2,621	–	830	–
Forward currency contracts (Note a)	1,335	–	–	–
Interest rate swaps – Cash flow hedge (Note b)	5,155	6,858	–	–
	9,111	6,858	830	–

26 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The forward currency contracts and interest rate swaps are carried at fair value. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

(a) The Group has entered into various forward foreign 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\$116,000 was credited to the consolidated income statement during the year (2009: gain of HK\$90,570,000).

(b) **Interest rate swaps - cash flow hedge**

At 31 March 2010, the Group had interest rate swap agreements in place with notional amounts, in aggregate, of HK\$219,286,000 (2009: 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 2010 of HK\$1,422,000 (2009: HK\$3,773,000) was included in the hedging reserve.

(c) **Foreign currency forward contracts – cash flow hedge**

During the year, the Group entered into contracts with European suppliers for the purchase of three sets of printing machineries at a total cost of EUR5,000,000.

Given the functional currency of the Group is HK\$, thus the Group is exposed to foreign exchange risk as the entire purchases are denominated in currencies other than HK\$. The Group is therefore exposed to the risk that movements in exchange rates will affect both their net income and financial position, as expressed in HK\$.

To hedge the foreign currency risk arising from these purchases, the Group simultaneously entered into forward contracts with notional amount of EUR4,000,000 with banks to buy Euro against US dollar.

These foreign currency forward contracts will be settled during the period between April 2010 and June 2010.

The net fair value of these hedging currency derivatives amounting to HK\$2,621,000 (2009: nil) was debited to the hedging reserve during the year.

27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash and bank balances	620,005	292,472	404,397	40,360
Time deposits	488,773	1,133,424	265,278	966,451
	1,108,778	1,425,896	669,675	1,006,811
Less: Pledged time deposits	-	(115,628)	-	-
Cash and cash equivalents	1,108,778	1,310,268	669,675	1,006,811

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash at bank and in hand				
HK\$	670,507	855,696	599,707	790,111
RMB	332,808	190,573	-	-
USD	99,416	260,638	69,945	216,646
GBP	3,444	2,029	22	22
EUR	2,519	1,248	1	16
Others	84	84	-	16
	1,108,778	1,310,268	669,675	1,006,811

27 CASH AND CASH EQUIVALENTS (Continued)

The pledged time deposits were denominated in RMB as of 31 March 2009. The balance was pledged as collateral for the Group's borrowings (Note 30).

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Maximum exposure to credit risk on cash and cash equivalents and pledged time deposits	1,107,252	1,308,750	669,661	1,006,803

The conversion of RMB denominated balances into foreign currencies and the remittance of such bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at bank earns interest at floating rates based on prevailing bank deposit rates.

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash and cash equivalents	1,108,778	1,310,268	669,675	1,006,811
Less: Bank deposits with maturities more than three months	-	(498)	-	-
	1,108,778	1,309,770	669,675	1,006,811

28 TRADE AND BILLS PAYABLES

	Group	
	2010	2009
	HK\$'000	HK\$'000
Trade payables	142,148	107,842
Bills payables	24,432	20,592
	166,580	128,434

The aging analysis of trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
1 – 30 days	105,892	68,819
31 – 60 days	24,579	27,171
61 – 90 days	3,112	2,045
Over 90 days	8,565	9,807
	142,148	107,842

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

	Group	
	2010	2009
	HK\$'000	HK\$'000
HK\$	23,103	37,325
USD	49,026	15,347
RMB	94,451	75,762
	166,580	128,434

As of 31 March 2010, the fair values of the trade and bills payables approximate their carrying amounts (2009: same).

29 OTHER PAYABLES AND ACCRUED LIABILITIES

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Other payables	67,360	34,530	1,361	2,323
Accrued liabilities	101,499	89,027	11,085	4,117
	168,859	123,557	12,446	6,440

30 BORROWINGS

	Effective interest rate		Maturity		Group	
	2010	2009	2010	2009	2010 HK\$'000	2009 HK\$'000
Current						
Bank loans – unsecured (Note a)	1-5%	2-8%	2010	2009	235,785	120,756
Bank loans – secured (Note b)	5%	2-9%	2010	2009	3,409	216,397
					239,194	337,153
Non-current						
Bank loans – unsecured (Note a)	1-4%	1-3%	2011-2013	2010-2012	185,898	335,825
					425,092	672,978

Note

- (a) Bank loans amounting to HK\$421,683,000 (2009: HK\$456,581,000) are secured by the corporate guarantees issued by the Company (Note 38).
- (b) The Group's banking facilities amounting to HK\$45,455,000 (2009: HK\$253,620,000), of which HK\$3,409,000 (2009: HK\$216,397,000) 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\$94,759,000 (2009: HK\$273,729,000) (Notes 16, 17 and 27).

30 BORROWINGS (Continued)

The carrying amounts of borrowings are denominated in the following currencies:

	Group	
	2010	2009
	HK\$'000	HK\$'000
HK\$	405,774	533,450
RMB	19,318	135,474
USD	–	4,054
	425,092	672,978

The fair values of the borrowings approximate their carrying amounts at the balance sheet date as all the borrowings carry floating rate interests (2009: same).

31 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority.

	Group	
	2010	2009
	HK\$'000	HK\$'000
Deferred income tax assets:		
– to be realised after more than 12 months	11,429	4,348
Deferred income tax liabilities:		
– to be realised after more than 12 months	(40,654)	(39,797)
Deferred income tax liabilities, net	(29,225)	(35,449)

31 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets/(liabilities) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for impairment of trade receivables	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	7,549	–	4,619	12,168
Deferred tax credited to income statement				
– Continuing operations	4,078	–	643	4,721
Deferred tax charged to income statement				
– Discontinued operations	(6,151)	–	–	(6,151)
Deferred tax credited to equity	–	–	717	717
Exchange differences	(350)	–	(211)	(561)
At 31 March 2009	5,126	–	5,768	10,894
Deferred tax credited to income statement	514	15,220	399	16,133
Deferred tax credited to equity	–	–	128	128
Exchange differences	(25)	–	(29)	(54)
At 31 March 2010	5,615	15,220	6,266	27,101

31 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Accelerated tax depreciation	Withholding tax	Fair value changes of available- for-sales financial assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	45,235	–	–	45,235
Deferred tax (credited)/charged to income statement				
– Continuing operations	(1,246)	1,834	–	588
Exchange differences	520	–	–	520
At 31 March 2009	44,509	1,834	–	46,343
Deferred tax charged to income statement				
– Continuing operations	8,816	25	911	9,752
Exchange differences	222	9	–	231
At 31 March 2010	53,547	1,868	911	56,326

The Group has tax losses arising in Hong Kong of HK\$86,397,000 (2009: HK\$81,632,000) and in the PRC of HK\$73,974,000 (2009: HK\$195,424,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, those arising in the PRC being due to expire within a maximum period of five years.

Among the tax losses arising in the PRC, tax losses amounting HK\$60,800,000 (2009: Nil) has been recognised as deferred tax assets of HK\$15,220,000 (2009: Nil) during the year as the directors are of opinion that it is probable future taxable profits will be available against which these unused tax losses can be utilised.

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 the PRC. 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%.

31 DEFERRED INCOME TAX (Continued)

The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC 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 income tax liabilities of HK\$5,499,000 (2009: HK\$3,036,000) have not been recognised as of 31 March 2010 for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries. Unremitted earnings totalled HK\$109,986,000 at 31 March 2010 (2009: HK\$60,710,000).

32 SHARE CAPITAL

	2010	2009	2010	2009
	Number	Number	HK\$'000	HK\$'000
	of shares	of shares		
Authorised ordinary shares of HK\$0.10 each (Note a)	1,200,000,000	1,200,000,000	120,000	120,000
Issued and fully paid ordinary shares of HK\$0.10 each	911,576,974	924,280,974	91,158	92,428
	Number of	Issued	Share	Total
	shares	capital	premium	Total
	in issue	HK'000	HK'000	HK'000
At 1 April 2008	600,780,529	60,078	724,845	784,923
Issue of shares (Note b)	323,500,445	32,350	841,101	873,451
Share issue expenses	–	–	(6,485)	(6,485)
At 31 March 2009 and 1 April 2009	924,280,974	92,428	1,559,461	1,651,889
Shares repurchased and cancelled (Note c)	(12,704,000)	(1,270)	–	(1,270)
At 31 March 2010	911,576,974	91,158	1,559,461	1,650,619

32 SHARE CAPITAL (Continued)

Note

- (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.
- (c) During the year, the Company repurchased 12,704,000 of its own shares from the Stock Exchange. The total amount paid to acquire these shares was HK\$27,083,000 and has been deducted from retained earnings within shareholders' equity (Note 33) and these shares had been cancelled accordingly.

As a result of the share repurchases, an amount equivalent to the par value of the shares repurchased of HK\$1,270,000 was transferred from share capital to the capital redemption reserve.

33 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 the PRC. 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 the PRC.

33 RESERVES (Continued)

(b) Company

	Share premium HK\$'000	Own held shares reserve HK\$'000	Capital redemption reserve HK\$'000	Hedging reserve HK\$'000	Intangible assets revaluation reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Equity compen- sation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2008, as previously reported	724,845	-	966	-	-	(424)	-	366,925	1,092,312
Prior year adjustment (Note 2.1)	-	-	-	-	(98)	356	-	-	258
At 1 April 2008, as restated	724,845	-	966	-	(98)	(68)	-	366,925	1,092,570
Comprehensive income									
Profit for the year	-	-	-	-	-	-	-	6,868	6,868
Other comprehensive (loss)/income									
Loss on revaluation	-	-	-	-	-	(131)	-	-	(131)
Total comprehensive (loss)/income	-	-	-	-	-	(131)	-	6,868	6,737
Issue of shares	841,101	-	-	-	-	-	-	-	841,101
Share issuance expenses	(6,485)	-	-	-	-	-	-	-	(6,485)
Interim 2008 dividend	-	-	-	-	-	-	-	(36,971)	(36,971)
Proposed final 2009 dividend	-	-	-	-	-	-	-	(92,428)	(92,428)
At 31 March 2009 and 1 April 2009, as restated	1,559,461	-	966	-	(98)	(199)	-	244,394	1,804,524
Comprehensive income									
Profit for the year	-	-	-	-	-	-	-	225,967	225,967
Other comprehensive income									
Impairment loss	-	-	-	-	98	199	-	-	297
Cash flow hedges, net of tax (Note 26)	-	-	-	(830)	-	-	-	-	(830)
Total comprehensive (loss)/income	-	-	-	(830)	98	199	-	225,967	225,434
Share repurchased and cancelled (Note 32)	-	-	1,270	-	-	-	-	(27,083)	(25,813)
Purchase of shares for restricted share award scheme (Note 34)	-	(7,910)	-	-	-	-	-	-	(7,910)
Equity compensation expenses (Note 34)	-	-	-	-	-	-	3,303	-	3,303
Reduction in final 2009 dividend due to repurchase of shares	-	-	-	-	-	-	-	230	230
Interim 2009 dividend (Note 15)	-	-	-	-	-	-	-	(36,523)	(36,523)
Proposed final 2010 dividend (Note 15)	-	-	-	-	-	-	-	(91,047)	(91,047)
Proposed special dividend (Note 15)	-	-	-	-	-	-	-	(81,942)	(81,942)
At 31 March 2010	1,559,461	(7,910)	2,236	(830)	-	-	3,303	233,996	1,790,256

34 RESTRICTED SHARE AWARD SCHEME

The Restricted Share Award Scheme was adopted by the Company on 21 December 2009 as an incentive to attract, motivate and retain employees of the Group. It will expire on 30 June 2012.

Eligible participants of the Restricted Share Award Scheme are senior management and directors of the Group.

Under the rules of the Restricted Share Award Scheme, shares will be awarded to the participants of the Restricted Share Award Scheme when certain performance target is met and shares will be awarded to the participants on or before 30 June of each financial year. During the year, a total of 3,851,969 shares were granted to the participants. The shares granted will be vested to the participants in three equal tranches upon certain vesting conditions are fulfilled. As at 31 March 2010, no shares were vested to the eligible participants of the Group, while the total number of shares held by the Trustee was 3,334,000.

The fair value of the shares was determined based on the closing market price of the Company's shares that are publicly traded on the Stock Exchange on the grant date.

Share-based payment of HK\$3,303,000 (2009: Nil) has been recognised in the consolidated income statement as employee benefit expense (Notes 8 and 9).

Shares held by Law Debenture Trust (Asia) Limited as Trustee for the purpose of the Restricted Share Award Scheme are listed below:

	Number of shares
At 1 April 2009	–
Shares purchased by the Trustee from the market during the year	3,334,000
Shares vested during the year	–
	<hr/>
At 31 March 2010	3,334,000
	<hr/>

The total consideration paid for the purchase of 3,334,000 shares was HK\$7,910,000.

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 25 June 2009, the Group entered into agreements with two minority shareholders (the “Vendors”) of certain PRC subsidiaries, pursuant to which the Group agreed to acquire an additional 10% and 5% equity interests in each of the three subsidiaries, Zhongshan Hung Hing Off-Set Printing Company Limited, Zhongshan Hung Hing Printing & Packaging Company Limited, South Gain Enterprises Limited and its wholly owned subsidiary South Gain Paper Products Company Limited (collectively referred to as the “Packaging Entities”), at a total consideration of HK\$45,703,000 and HK\$22,851,000, respectively, from each of the Vendors, LeMonde and Homegrace, respectively.

On the same date, the Group also entered into agreements with the Vendors, pursuant to which the Group agreed to dispose of 25% and 5% equity interests in each of the Paper Mill Entities, for a total consideration of RMB8,333,000 (approximately HK\$9,470,000) and RMB1,666,000 (approximately HK\$1,894,000), respectively, to each of the Vendors, LeMonde and Homegrace, respectively.

The considerations of the acquisition and disposal are agreed to be settled on a net basis in cash from the Group’s internal cash resources.

The Packaging Entities are principally engaged in the printing and packaging businesses, whereas the Paper Mill Entities are principally engaged in paper manufacturing.

In January 2010, the acquisition of South Gain Enterprises Limited was completed and the Group paid the consideration of HK\$26,727,000 on the completion date.

In February 2010, the other acquisitions and disposals were completed.

As at 31 March 2010, a net payable balance of HK\$30,463,000 was due to the Vendors and had been settled in May 2010 (Note 43).

	HK\$'000
Cash consideration for	
– acquisitions	68,554
– disposals	(11,364)
	<hr/>
Net consideration for acquisition and disposals	57,190
Consideration paid as at 31 March 2010	(26,727)
	<hr/>
Consideration to be settled and included as other payables in the consolidated balance sheet as at 31 March 2010	<hr/> 30,463 <hr/>

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Acquisitions

Details of the net assets acquired and goodwill were as follows:

	HK\$'000
Purchase consideration	
– Cash	68,554
– Direct costs relating to the acquisition	625
Total purchase consideration	69,179
Net assets acquired	(67,545)
Goodwill (Note 18)	1,634
Purchase consideration settled in cash as at 31 March 2010	26,727
Direct costs relating to the acquisition	328
Cash outflow on acquisition	27,055

(b) Disposals

In February 2010, the Group completed the disposals of the Paper Mill Entities and recorded a gain on partial disposal of subsidiaries of HK\$17,460,000 (Note 12).

	HK\$'000
Cash consideration	11,364
Less: Direct costs relating to the disposal	(532)
Net consideration	10,832
Net assets disposed of	(20,269)
Exchange reserve realised in respect of the partial disposal	26,897
Gain on partial disposal (Note 12)	17,460

36 AMOUNTS DUE FROM SUBSIDIARIES AND ASSOCIATES

(a) Amounts due from subsidiaries

	2010	2009
	HK\$'000	HK\$'000
Due from subsidiaries	1,083,881	667,431
Provision for impairment	(1,353)	(2,613)
	1,082,528	664,818

The movement in provision for impairment of amounts due from subsidiaries is as follows:

	2010	2009
	HK\$'000	HK\$'000
At 1 April	2,613	1,353
(Write back)/provision for impairment	(1,260)	1,260
At 31 March	1,353	2,613

The balances with subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from subsidiaries approximate their fair values.

(b) Amounts due from associates

	Group		Company	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from associates	15,383	504	-	-

The balances with associates are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from associates approximate their fair values.

37 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	2010 HK\$'000	2009 HK\$'000
Rentals paid to a director and a company in which a director of the Company is a controlling shareholder	(i)	–	310
Advisory fee paid to companies in which the non-executive directors of the Company are controlling shareholders	(ii)	1,326	1,237
Disposal of a club debenture to a company in which a director of the Company is a controlling shareholder	(iii)	400	–
Service fee paid to a substantial shareholder	(iv)	130	–

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 advisory 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.
- (iii) The consideration of the club debenture disposed to a company in which an executive director of the Company is the controlling shareholder was determined with reference to the market price.
- (iv) The service fee was payable to Asia Packaging Company Limited, a substantial shareholder of the Company. The service fee was charged on a mutually agreed basis.

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

There were no outstanding balances with related parties as at 31 March 2010 (2009: Nil).

(c) Compensation of key management personnel of the Group

	2010 HK\$'000	2009 HK\$'000
Short-term employment benefits	39,493	30,723
Post-employment benefits	530	617
	40,023	31,340

38 CONTINGENT LIABILITIES

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

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries and associates of the Company	29,816	13,950	1,375,698	1,423,240
Amount of banking facilities guaranteed by the Company and utilised by subsidiaries and associates of the Company	29,816	–	421,683	456,581

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

39 OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties, warehouses and staff quarters under non-cancellable operating lease arrangements.

At 31 March 2010, the Group and the Company had total future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Not later than one year	3,680	4,950	300	360
Later than one year and not later than five years	9,303	8,891	–	300
Later than five years	64,620	68,427	–	–
	77,603	82,268	300	660

40 COMMITMENTS

In addition to the operating lease commitments detailed in Note 39 above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Contracted for, but not provided for:				
Land and buildings	–	7,679	–	–
Plant and machinery	76,236	9,553	17,760	–
Capital contribution payable to an associate	–	1,550	–	1,550
	76,236	18,782	17,760	1,550
Authorised but not contracted for	–	–	–	–

41 FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 March 2010				
Assets per consolidated balance sheet				
	Assets at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	–	8,490	8,490
Trade and bills receivables	–	524,762	–	524,762
Other receivables (Note 25)	–	19,667	–	19,667
Derivative financial instruments	1,685	–	–	1,685
Amounts due from associates (Note 36)	–	15,383	–	15,383
Cash and cash equivalents	–	1,108,778	–	1,108,778
	1,685	1,668,590	8,490	1,678,765

Liabilities per consolidated balance sheet

	Liabilities at fair value through profit or loss HK\$'000	Derivatives used for hedging HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
Trade and bills payables	–	–	166,580	166,580
Other payables and accrued liabilities	–	–	168,859	168,859
Derivative financial instruments	1,569	7,775	–	9,344
Borrowings	–	–	425,092	425,092
	1,569	7,775	760,531	769,875

41 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 March 2009

Assets per consolidated balance sheet

	Assets at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	–	7,367	7,367
Trade and bills receivables	–	538,295	–	538,295
Other receivables (Note 25)	–	6,085	–	6,085
Derivative financial instruments	3,691	–	–	3,691
Amounts due from associates (Note 36)	–	504	–	504
Pledged time deposits	–	115,628	–	115,628
Cash and cash equivalents	–	1,310,268	–	1,310,268
	3,691	1,970,780	7,367	1,981,838

Liabilities per consolidated balance sheet

	Derivatives used for hedging HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
Trade and bills payables	–	128,434	128,434
Other payables and accrued liabilities	–	123,557	123,557
Derivative financial instruments	6,858	–	6,858
Borrowings	–	672,978	672,978
	6,858	924,969	931,827

41 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 March 2010

Assets per balance sheet

	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	420	420
Other receivables (Note 25)	12,103	–	12,103
Loan to a subsidiary (Note 21)	55,000	–	55,000
Due from subsidiaries (Note 36)	1,082,528	–	1,082,528
Cash and cash equivalents	669,675	–	669,675
	1,819,306	420	1,819,726

Liabilities per balance sheet

	Derivatives used for hedging HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
Other payables and accrued liabilities	–	12,446	12,446
Derivative financial instruments (Note 26)	830	–	830
	830	12,446	13,276

41 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 March 2009

Assets per balance sheet

	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	–	420	420
Other receivables (Note 25)	1,054	–	1,054
Loan to a subsidiary (Note 21)	55,000	–	55,000
Due from subsidiaries (Note 36)	664,818	–	664,818
Cash and cash equivalents	1,006,811	–	1,006,811
	<u>1,727,683</u>	<u>420</u>	<u>1,728,103</u>

Liabilities per balance sheet

	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
Other payables and accrued liabilities	6,440	6,440

42 FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

The Group's principal financial instruments, other than derivatives, comprise cash and bank deposits, trade and bills receivables, other receivables, amounts due from associates, trade and bills payables, other payables and borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group enters into derivative transactions, including principally forward currency contracts and interest rate swaps of which the purposes are

- 1) to manage the interest rate risk arising from the Group's operations and its sources of finance; and
- 2) to manage the exchange rate risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, price 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 2.11 to the financial statements.

(a) *Interest rate risk*

As the Group has no significant assets that bear floating interest rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from its bank deposits and borrowings. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

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 2010, the Group had approximately 52% (2009: 53%) of the bank borrowings which effectively bear fixed interest rates as a result of the interest rate swaps.

42 FINANCIAL RISK MANAGEMENT (Continued)

42.1 Financial risk factors (Continued)

(a) 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	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2010					
Hong Kong dollar	50	2,815	727	3,079	-
Hong Kong dollar	(50)	(2,815)	(727)	(3,079)	-
	Increase/ (decrease) in basis points	Decrease/ (increase) in loss before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000	Decrease/ (increase) in loss before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2009					
Hong Kong dollar	50	2,293	2,038	3,649	-
Hong Kong dollar	(50)	(2,293)	(2,038)	(3,649)	-

* Excluding retained earnings

(b) Foreign currency risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in various foreign currencies primarily RMB, HK\$ and United States dollar ("USD") and British pound ("GBP").

The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK\$ or RMB, which are the functional currencies of the major operating companies within the Group.

42 FINANCIAL RISK MANAGEMENT (Continued)

42.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

When there are significant foreign currency transactions other than the functional currencies of the major operating companies within the Group, the Group will use forward currency contracts to manage the foreign currency exposure. The forward foreign currency forward contracts must be in the same currency as the hedged item.

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 USD, 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).

2010

Financial instruments denominated in or linked to currency denominated in:	Increase in exchange rate (i.e.HK\$ weaken) of denominated currency against HK\$		Increase in profit before tax		Decrease in exchange rate of denominated currency against HK\$		Decrease in profit before tax	
	Group	Company	Group	Company	Group	Company	Group	Company
	%	%	HK\$	HK\$	%	%	HK\$	HK\$
USD	0.5	0.5	1,433	350	(0.5)	(0.5)	(1,433)	(350)
RMB	2.0	2.0	5,700	-	(2.0)	(2.0)	(5,700)	-

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\$	HK\$	%	%	HK\$	HK\$
USD	0.5	0.5	2,015	1,083	(0.05)	(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)	-

42 FINANCIAL RISK MANAGEMENT (Continued)

42.1 Financial risk factors (Continued)

(c) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables and deposits placed with banks. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, 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 receivable 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 creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in Note 24 to the financial statements.

(d) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or derivative financial instruments. The Group is not exposed to commodity price risk.

The Group's equity investments held as available-for-sale include both publicly traded and non-publicly traded. The Group does not actively trade in equity investments and in the opinion of the Board of Directors, the price risk related to trading activities to which the Group is exposed is not material. Accordingly, no quantitative market risk disclosures for price risk have been prepared.

(e) 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 policy is that not more than 80% of borrowings should mature in any 12-month period. 56% of the Group's debts (defined as the aggregate of bank borrowings) would mature in less than one year as at 31 March 2010 (2009: 50%) based on the carrying value of borrowings reflected in the financial statements.

42 FINANCIAL RISK MANAGEMENT (Continued)

42.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if the contracting rates are floating, based on rates at the balance sheet date). Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group

	2010			Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 to 5 years HK\$'000	
Bank borrowings, including				
interest payable	243,783	140,135	55,835	439,753
Trade and bills payables	166,580	-	-	166,580
Other payables and accrued liabilities	168,859	-	-	168,859
Derivative financial instruments	9,111	-	233	9,344
Financial guarantees given to associates	29,816	-	-	29,816
	618,149	140,135	56,068	814,352

	2009			Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 to 5 years HK\$'000	
Bank borrowings, including				
interest payable	351,692	168,533	190,268	710,493
Trade and bills payables	128,434	-	-	128,434
Other payables and accrued liabilities	123,557	-	-	123,557
Derivative financial instruments	6,858	-	-	6,858
Financial guarantees given to associates	13,950	-	-	13,950
	624,491	168,533	190,268	983,292

42 FINANCIAL RISK MANAGEMENT (Continued)

42.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

Company

	2010			Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 to 5 years HK\$'000	
Derivative financial instruments	830	–	–	830
Other payables and accrued liabilities	12,446	–	–	12,446
Financial guarantees given to subsidiaries and associates	1,211,698	121,286	42,714	1,375,698
	1,224,974	121,286	42,714	1,388,974
	2009			Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 to 5 years HK\$'000	
Other payables and accrued liabilities	6,440	–	–	6,440
Financial guarantees given to subsidiaries and associates	1,103,954	155,286	164,000	1,423,240
	1,110,394	155,286	164,000	1,429,680

42 FINANCIAL RISK MANAGEMENT (Continued)

42.2 Capital risk management

The Group regards its shareholders' equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (i.e. current and non-current borrowings as shown in the consolidated balance sheet) divided by total capital. Total capital is calculated as 'equity', as shown in the consolidated balance sheet.

The gearing ratios as at 31 March 2010 and 2009 were as follows:

	As at 31 March	
	2010 HK\$'000	2009 HK\$'000
Total borrowings (Note 30)	425,092	672,978
Total equity	2,987,466	3,093,073
Gearing ratio	14%	22%

42 FINANCIAL RISK MANAGEMENT (Continued)

42.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including pledged time deposits, cash and cash equivalents, trade and bills receivables, other receivables, trade and bills payables, other payables and amounts due from associates approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Effective 1 April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2010:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets				
– Listed equity investments	7,990	–	–	7,990
Available-for-sale financial assets				
– Club debentures	–	–	420	420
Derivative financial instruments	–	–	1,685	1,685
Total assets	7,990	–	2,105	10,095
Liabilities				
Derivative financial instruments	–	–	9,344	9,344
Total liabilities	–	–	9,344	9,344

42 FINANCIAL RISK MANAGEMENT (Continued)

42.3 Fair value estimation (Continued)

The fair value of club debentures is determined with reference to quoted market prices at the balance sheet date without any deduction for transaction costs.

The fair values of derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The following table presents the changes in level 3 instruments for the year ended 31 March 2010:

	Club debenture HK\$'000	Derivative financial instruments HK\$'000	Total HK\$'000
Opening balance	420	(3,167)	(2,747)
Recognised in hedging reserve	–	(917)	(917)
Gains recognised in consolidated income statement	–	317	317
Retired on maturity	–	(3,892)	(3,892)
Closing balance	420	(7,659)	(7,239)
Total gains for the year included in profit or loss for assets/(liabilities) held at the end of the reporting periods	–	317	317

43 EVENTS AFTER THE REPORTING PERIOD

On 19 May 2010, the Group has completed

- the disposal of 25% and 5% equity interests in each of the Paper Mill Entities to LeMonde and Homegrace, respectively; and
- acquisition of 10% and 5% equity interests in each of the remaining Packaging Entities from LeMonde and Homegrace, respectively.

Upon all conditions precedent to the completion of such disposals and acquisitions have been fulfilled.

On the same date, a net outstanding consideration of HK\$30,463,000 as at 31 March 2010 has been settled by the Group to the Vendors.

The financial impacts of the completion of these acquisitions and disposals have been reflected in the financial statements for the year ended 31 March 2010, except the net outstanding consideration of HK\$30,463,000 has been recorded as other payables on the consolidated balance sheet as at 31 March 2010.

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