60 plus HUNG HING
YEARS OF PRINTING EXCELLENCE

HUNG HING PRINTING GROUP LIMITED
鴻 興 印 刷 集 團 有 限 公 司

2011/12

ANNUAL REPORT年報

STOCK CODE 股份代號：0450

CONTENT

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.

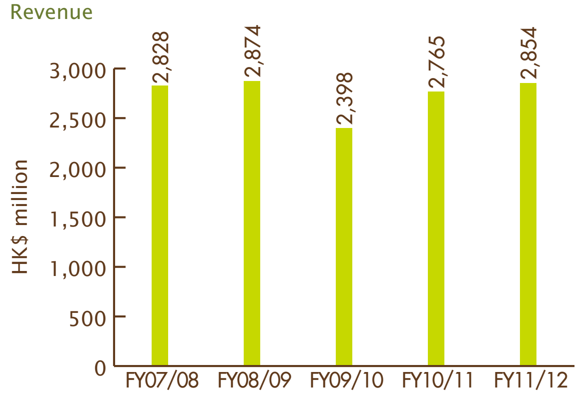
CORPORATE INFORMATION

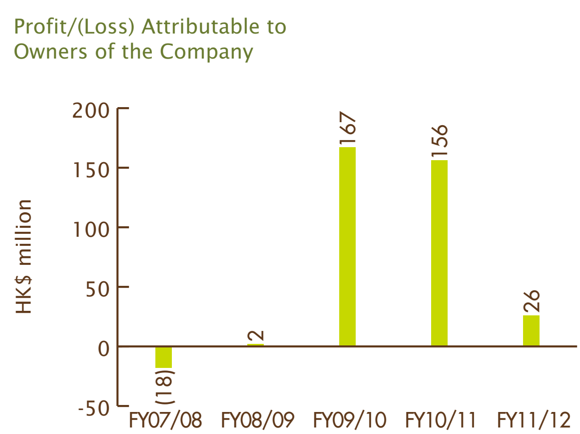
Executive Directors	Yum Chak Ming, Matthew, Executive Chairman Sung Chee Keung
Non-Executive Directors	Hiroyuki Kimura Yoshitaka Ozawa Katsuaki Tanaka Yam Hon Ming, Tommy
Independent Non-Executive Directors	Lo Chi Hong Luk Koon Hoo Yap, Alfred Donald
Company Secretary	Tung Yu Biu

Registered Office	Hung Hing Printing Centre 17–19 Dai Hei Street Tai Po Industrial Estate New Territories, Hong Kong Tel: (852) 2664 8682 Fax: (852) 2664 2070 E-mail: info@hunghingprinting.com
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. BNP Paribas
Auditor	PricewaterhouseCoopers
Share Registrar	Tricor Tengis Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

FINANCIAL HIGHLIGHTS

Year ended 31March	2012 HK$'000	2011 HK$'000	Percentage change
Revenue	**2,854,459**	2,764,789	+3
Profit	**29,112**	160,056	-82
Profit Attributable to Owners of the Company	**25,539**	156,493	-84
Property, Plant and Equipment	**1,366,117**	1,330,903	+3
Net Current Assets	**1,589,985**	1,300,399	+22
Total Assets	**3,786,566**	3,644,919	+4
Equity Attributable to Owners of the Company	**2,661,883**	2,673,744	–
Basic Earnings per Share (HK cents)	**2.8**	17.3	-84
Dividends per Share (HK cents)			
Interim Dividend	**2**	5	
Final Dividend	**2**	5	
Special Dividend	**–**	17	
	4	27	-85





EXECUTIVE CHAIRMAN
Yum Chak Ming, Matthew

In addressing the market challenges, we pursued a three-fold strategy of evolution, efficiency and ethics. We have strategically evolved our product portfolio to focus on high value-added items and continued investing in advanced printing equipment.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report the financial results for the Hung Hing Printing Group for the financial year 2011-2012. Like other export-oriented manufacturers in southern China, we continued to be impacted by the prevailing adverse macro-economic conditions and soft export markets during the course of the year. Our efforts in diversifying our product portfolio as well as coverage in new geographic markets yielded results, allowing us to end the year with a slight increase in revenue of 3% over the previous year.

The Group had recorded a one-time 'Gain on deemed disposal of Associates' of HK$52 million in the second half of the previous year. We also introduced a new general aging provision to cover our paper inventory, to a value of HK$16 million. These items, combined with an increasing cost base and competitive price pressure, resulted in a decline of 77% in profit before tax compared to the previous year.

A number of trends affected the performance of the export printing industry as a whole during the year. Steep increases in labour costs, combined with a strong and appreciating RMB affected our profitability. Over and above this, the growing popularity of e-books and advances in digital printing will have a profound impact on the industry over the medium term. To address these challenges and remain competitive for the future, we pursued a three-fold strategy of evolution, efficiency and ethics.

First, we are strategically evolving our product portfolio, particularly that of our largest business unit, to address the two ends of the spectrum – high value-added projects including luxury packaging, and production of conventional books, which are less labour-intensive than novelty books. With a view to being ready for the way children will read over the long term, the Group made its first entry into e-publishing with BelugaBloo, a smart-phone app for a new interactive children's e-book platform.

In addition to these strategic initiatives, a number of efficiencies have been achieved through work flow optimisation, streamlining of the production and sales workforce and controlling overheads. We have always believed that advanced technology brings competitive advantage in terms of quality, timelines and costs. During the year under review we pursued our ongoing strategy to invest in advanced printing and production equipment.

Despite the prevailing challenges and cost pressures the Group maintained its focus on constant improvement in work place safety and working conditions. These are designed to motivate and support our skilled workforce, including those employed in creative design, product engineering and crafting our sophisticated hand-tooled products. We also continued to strive for continuous improvement in environmental standards in compliance to and exceeding statutory requirements.

The Group has a strong cash position, which together with the commitment from our strategic partner Rengo of Japan, will allow us to withstand the macroeconomic conditions, explore and invest in opportunities for growth, and maintain market leadership.

Results and dividends

Group revenue for the financial year 2011-2012 grew by 3% to HK$2,854 million from last year's HK$2,765 million.

Profit derived from the Group's operating activities declined by 67% to HK$73 million. Profit attributable to owners of the Company declined 84% to HK$26 million.

Basic earnings per share were HK2.8 cents, compared to HK17.3 cents for the previous financial year. The Board of Directors has proposed a final dividend of HK2 cents. This, together with the interim dividend of HK2 cents, brings the total dividend for the year to HK4 cents, compared to HK27 cents in the previous financial year. Subject to shareholders' approval, the dividend will be paid to shareholders whose names appeared on the Register of Members of the Company as of 7 September 2012.

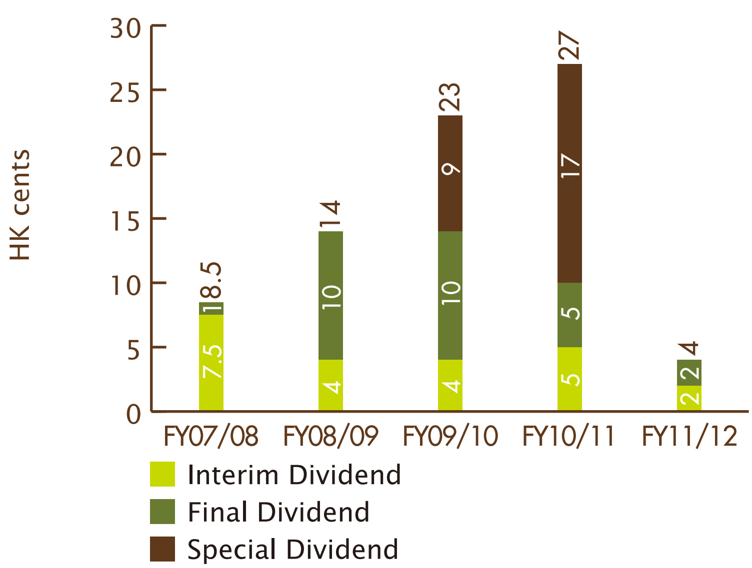
Strategic partner

On 3 August 2011, Rengo of Japan became a 29.9% shareholder of the Group.

Rengo is a leader in the general packaging industry in Japan, and has been a business partner of the Group for over two decades. It has substantial presence in Asia (outside Japan), with paperboard manufacturing, corrugated box and flexible packaging plants.

Upon Rengo's investment into the Group, a strategy committee comprised of four executive and non-executive directors was established to review synergies between the two groups and strategies going forward. While both groups have substantial investments in China, competitive overlap is minimal. The management is considering a number of co-operative opportunities of mutual benefit both in the export and in the China domestic market.

Dividend Per Share



Business outlook

Looking forward, we are cautiously optimistic about the Group's business. We see an increased intake of orders from the U.S. and UK driving up our capacity utilisation at our Shenzhen and Heshan facilities. Growth in production cost and the rate of inflation appear to be slowing in China. These factors, with a stabilising RMB have to some extent relieved the cost pressure faced by the Group.

In response to competitive pressures and in the face of a rising cost base, the formerly fragmented export printing industry will see increasing consolidation in the years to come. The trend is for customers to prefer stable, more cost-efficient vendors with a reputation for quality and delivery. Hung Hing, with our reputation and solid track record in quality and services is well positioned to capture this opportunity. I have previously mentioned our expectation that digital printing and e-publishing will redefine our industry. We are carefully monitoring the growth and development of this trend, and we will act in order to stay competitive, and to pursue new business opportunities arising from the technological evolution.

Although we have maintained our market share and leadership position, our operating margin declined significantly, particularly in the export sector. There is room for improvement and we are focusing in areas which would help improve our profit margin. These include our growing presence in luxury packaging and conventional books, tightening of our costing strategy in new labour-intensive work and our continuous efforts to improve productivity.

While the market remains fairly volatile, we believe the steps that we have taken would improve the Group's competitiveness, allowing us to capture future growth opportunity.

Finally my heartfelt thanks go to the Group's 11,381 employees. Their skill, dedication and hard work have always been at the very heart of our success.

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 26 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the 12 months ended 31 March 2012, the Group's turnover rose 3% to HK$2,854 million, reflecting slow growth in our major markets.

Profit before tax went down by 77% to HK$45 million primarily due to three factors. Firstly, the Group had recorded a one-time 'Gain on deemed disposal of Associates' of HK$52 million in the second half of the previous year. No similar gain was recorded in the year under review.

Secondly, operating profits were further affected by the introduction of a general aging provision for the Group's paper stock totaling HK$16 million for the year.

Thirdly, production costs continue to rise in mainland China. Commodity prices, mainly paper cost stayed high in 2011. Worker wages in the Pearl River Delta rose by 20% in 2011 on the heels of a similar increase in 2010. The appreciation of the RMB further heightened the impact of the wage increase, which impacted the profitability of the Group's export business. The economic slowdown that has impacted most of the world's major markets and the intense price competition prevalent in China meant that the rising costs could not be fully passed on to the Group's customers.

While the economy remains volatile, there have been several positive developments during the recent months. Growth in production cost and the rate of inflation appear to be slowing in China. These factors, together with a stabilising RMB, have to some extent relieved the cost pressure faced by the Group. In the meantime, export orders are increasing, reflecting management's marketing efforts and the strong reputation that the Group holds among international publishers and manufacturers.

The Group has had a strategy of continuously investing in advanced printing presses and equipment to improve quality and efficiency. A number of productivity initiatives are in place driving for continuous improvement in production scheduling and process flow. These efforts are yielding benefits, with over 10% reduction in our staffing level when compared with the previous year. Beyond the above, we are working to improve our purchasing process, to gain synergies from the substantial volume across our different divisions, to secure lower costs for the Group.

Export Markets

In response to the high unemployment rate and weak consumer confidence prevalent across markets like Europe, international publishers and manufacturers in general have reduced new titles and projects, and replaced large orders with smaller orders with shorter lead time. This has impacted both our Book and Package Printing, and Corrugated Box businesses, which derive 60% of its revenue from export manufacturers in the Pearl River Delta.

The international book market has also been impacted by the increasing popularity of e-books and a gradual reduction of retail shelf space in the developed economies. While our focus on children's novelty books makes the Group less vulnerable in the medium term, it is anticipated that there will be a slow and gradual trend away from paper books even among children. The trend, however, has presented a very attractive opportunity for the Group to move into a niche market offering interactive book experiences on-line, targeting toddlers and young children.

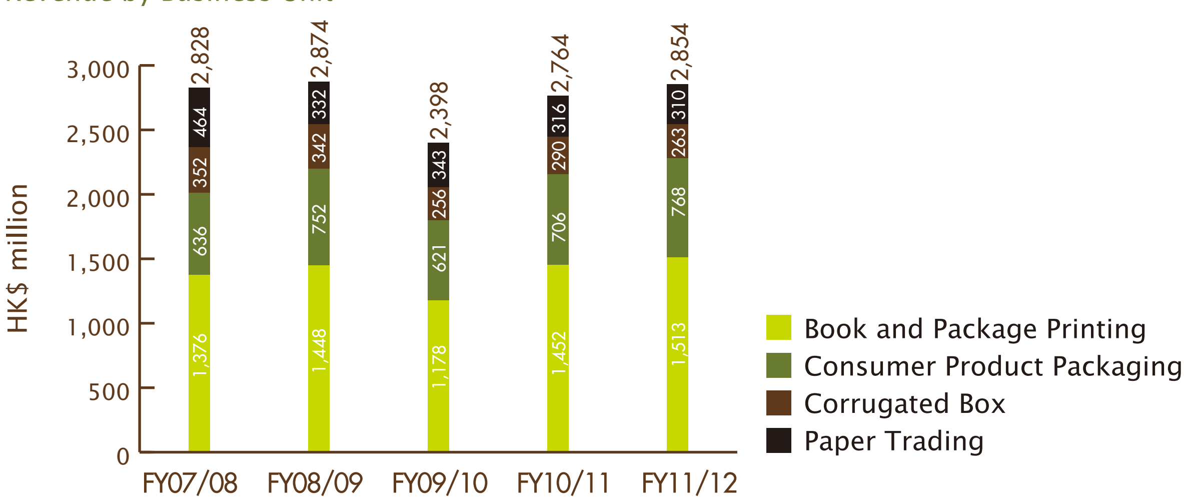
Partnering with our publishing clients, the Group has launched a new service branded BelugaBloo, a proprietary e-bookstore in the form of an application that runs on popular tablets and smart-phones. BelugaBloo offers end-users a catalogue of interactive e-books, games and education applications to purchase and download.

BelugaBloo has generated substantial interest and the Group has entered into co-operative agreements with several prominent publishers. We have also entered into an agreement with CIDE-Interactive (a French-based global leader in the toy industry dedicated to incorporate technologies with learning and childhood development) to pre-load the BelugaBloo App into its new child-friendly Kurio tablet. This will significantly increase the use of BelugaBloo, with instant access to the App by all Kurio users.

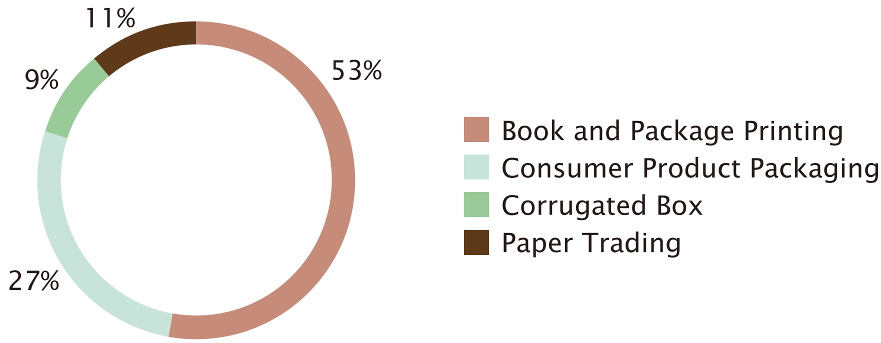
Over the past year, the Group has expanded its presence in the luxury packaging business, especially the cosmetics market. This market requires substantial hand-crafting and comes with quality expectations which the Group has a track record of delivering. The Group will continue to invest in this business in the coming years, with the recent registration of 'HH Luxury' trademark and appointment of an agent to cover continental Europe.

We are cautiously opportunistic over the prospects for the export market this year. While business from the Euro zone remains fairly volatile, order levels from the United States are improving. We are confident that the Group will benefit from the eventual

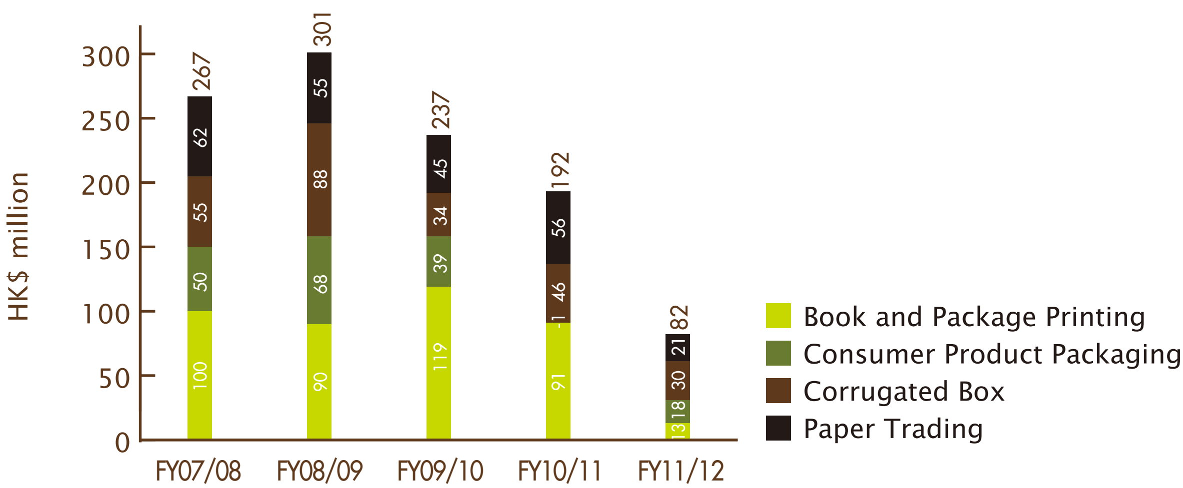
Revenue by Business Unit



Revenue by Business Unit in FY11/12



Profit Contribution by Business Unit



recovery in the export market. In the short term, Hung Hing will remain the vendor of choice among international publishers/manufacturers for quality, reliability and price performance.

Liquidity and Capital Resources

The Group remains in a sound financial position. As of 31 March 2012, the Group had a net cash situation (total cash net of bank borrowings) of HK$251 million.

As of 31 March 2012, the Group had bank deposits and cash on hand totaling HK$781 million, of which 67% was denominated in RMB, 24% in USD and 8% in HKD. Most of these amounts are in term deposits ranging between 3 to 12 months, earning HK$11 million interest income for the year. The high mix of RMB also helps to mitigate the impact of RMB appreciation on our operating expenses during the year.

As of 31 March 2012, the Group's total bank borrowings amounted to HK$530 million. The Group's gearing ratio, comparing bank borrowings to its equity, stood at 19% compared with 15% in the previous year. Per the repayment schedules in the Group's loan agreements with banks, HK$217 million is repayable within a year, HK$107 million within the next one to two years, and HK$206 million within the next two to five years.

Of our total borrowings, 86% was borrowed in HKD, 6% in USD and 8% in RMB. Of our borrowings, 87% was owed to banks in Hong Kong at interest rates in reference to the HIBOR or to the banks' cost of fund plus certain mark-up %. The remaining 13% was owed to banks in the PRC with interest rates in reference to the People's Bank of China (PBOC) base rate or to the banks' cost of funds, plus certain mark-up %.

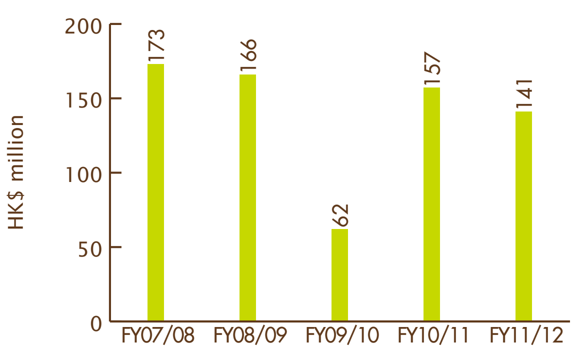
Beyond those detailed above, the Group had unutilised bank loan and trade facilities totaling HK$580 million as of 31 March 2012.

During the year under review, the Group invested a total of HK$141 million (HK$157 million in the previous year) in capital expenditures (CAPEX), mostly to replace and to upgrade production equipment including the purchase of four printing presses.

Our People

To address the issue of steadily increasing labour costs in China, the Group is adopting a conservative attitude towards its workforce to ensure optimal headcount and utilisation to meet its business requirements. As of 31 March 2012, the Group employed a total of 11,381 people – of whom 355 were based in Hong Kong and 11,026 were based in China, representing a reduction of 10% compared with the previous year.

Capital Expenditure



We offer competitive wages and remuneration and equal opportunities to all our employees based on their experience and past performance.

Without its people, Hung Hing cannot succeed. We provide various kinds of training to our employees and consider health and safety as a top priority.

For the benefit of both employees and the company, a variety of training modules are offered. All workers must attend orientation training to understand the risks they may encounter in production, while handling machinery and chemicals. We also provide on-the-job training to enhance their familiarity with the working environment and strengthen health and safety awareness. Work floor supervisors and managers attend communication and management skill training. In FY 2011-2012, we provided over 43 types of basic training over 280,000 hours.

Besides training, various channels exist to let workers voice their views, including suggestion boxes, email and workers representative meetings. We also publish a monthly employee newsletter.

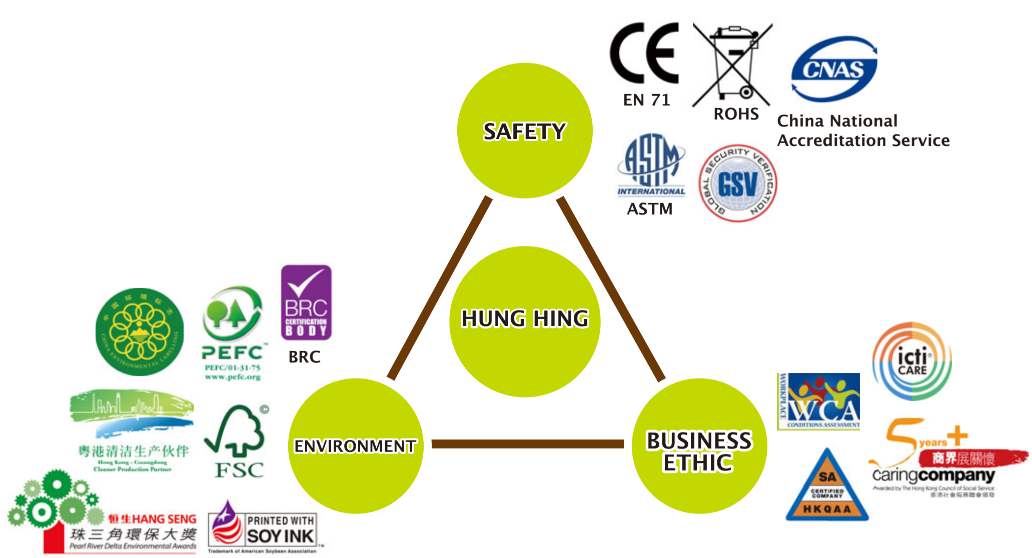
In the past three years, our groups Total Incident Rate (TIR) has shown a yearly improvement of over 20% each year. TIR is calculated as the number of accidents per 100 full-time employees per year. In FY 2011-2012, our TIR was 0.35.

Business Sustainability

Sustainability and adherence to the high ethical standards set the Group apart in its sector.

The Group received its fifth FSC-COC certificate during 2012. With this endorsement of its commitment to ethical standards, the Group is proud to have the FSC (Forest Stewardship Council) certifications for all its operating units. The Group's facilities in Shenzhen and Heshan are also PEFC (Programme for the Endorsement of Forest Certification) and ICTI-COBP (International Council of Toy Industries – Code of Business Practice) certified.

The Group is also promoting the use of certified and recycled paper and during FY 2011-2012, purchased over 9,870, 18,500, and 151,100 tons of FSC, PEFC and recycled paper respectively. During the year, the Group continued to invest in equipment that was more energy efficient and effective. These included a negative pressure ventilation system in the Shenzhen factory, a water curtain cooling system in the Heshan factory canteen, and over 20 high power inverter motors.



BUSINESS UNIT REPORTS

Hung Hing is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products. It is also one of the world's largest manufacturers of conventional and children's novelty books. The Group's global client base consists of the world's most recognised manufacturers in toys, cosmetics, consumer goods and leading publishers. The Group consists of four key business units.

BOOK AND PACKAGE PRINTING

Book and Package Printing is the Group's largest business unit.

Production of folding carton, packaging, conventional books and children's books is carried out at ISO 9001, ISO 14001 and ICTI-COBP certified 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 and employ over 9,000 workers.

The Book and Package Printing business reported the following results for the year:

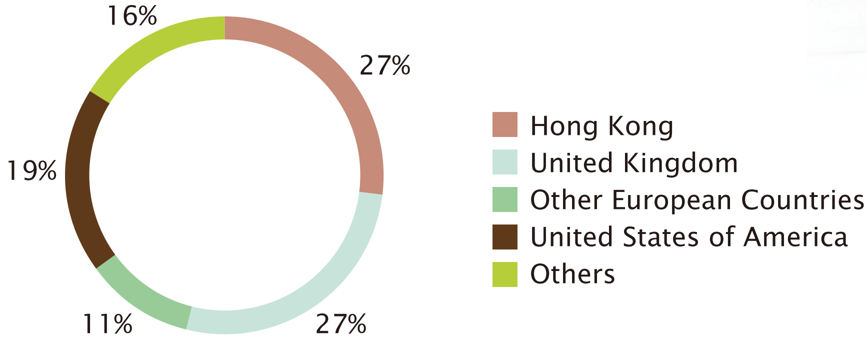
- Revenue of HK$1,513 million, up 4% from HK$1,452 million the previous year
- Profit contribution of HK$13 million, down 85% from HK$91 million last year
- Profit contribution margin of 1%, down from 6% the previous year

Review of Operations

During the financial year 2011-2012, owing to the macro-economic uncertainties prevalent in Europe and other markets, the Group's buyers became more conservative in the managing of their purchasing activities and inventory levels. On the other hand, production costs including paper prices and labour costs continued to rise in mainland China. Owing to stiff competition, despite growing revenue by 4% in a static market, the division's profit margins suffered.

Management has pursued several strategies aiming to boost profits, including expanding our presence in luxury packaging, particularly for cosmetics. We have pursued cost controls as well as productivity improvements and conducted pricing reviews, in particular for labour-intensive children's novelty books.

Revenue by Region in FY11/12



Revenue & Profit Contribution (in %)

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. With a workforce of 2,000, these two plants are well positioned to capture the growing consumer market in China.

The Consumer Product Packaging business unit reported the following results for the year:

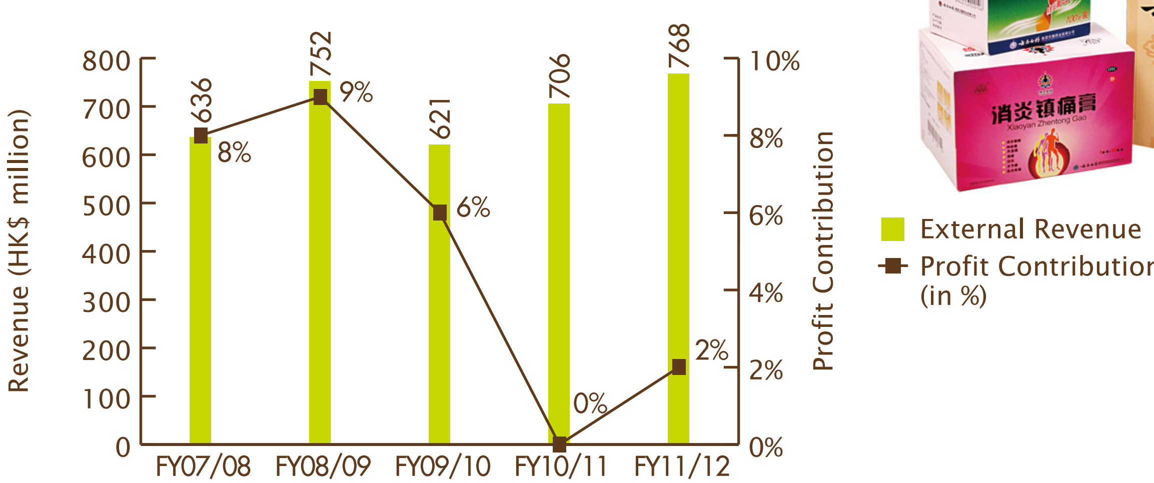
- Revenue of HK$768 million, up 9% from HK$706 million the previous year
- Profit contribution of HK$18 million, up from a loss of HK$1 million last year
- Profit contribution margin of 2% compared with zero margin the previous year

Review of Operations

The Consumer Product Packaging business is making steady progress towards its strategic aim to become a leading packaging solutions provider in the China domestic packaged food, personal care and pharmaceutical markets.

While the China packaging market continues to offer a variety of opportunities for business growth, it also poses challenges in the form of rising production costs and severe price competition. To address these, the business has made a number of key investments aimed at enhancing efficiency and quality. To deliver the high hygiene standards required by some clients, both Zhongshan and Wuxi plants have installed separate dust-free manufacturing zones on site. In addition to the ISO 9001 & 14001 certification, both plants are also BRC (British Retail Consortium) certified.

Revenue & Profit Contribution (in %)



CORRUGATED BOX

Hung Hing operates a competitive corrugated box manufacturing business which supplies to a wide range of consumer goods sectors including toy, food and beverage, electronics and household product manufacturers.

Close to 60% of the unit's sales are to Hong Kong based exporters, while the remaining 40% comes from customers in China. The business operates a manufacturing facility in Shenzhen and a distribution center in Hong Kong.

The Corrugated Box business reported the following results for the year:

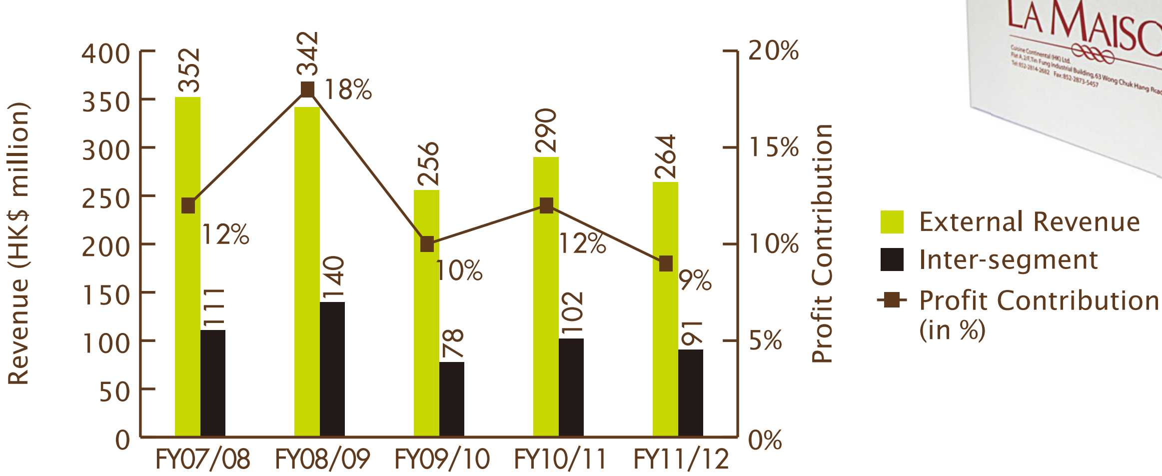
- Revenue of HK$264 million, down 9% from HK$290 million the previous year
- Profit contribution of HK$30 million, down 34% from HK$46 million last year
- Profit contribution margin of 9%, down from 12% the previous year

Review of Operations

The Corrugated Box business benefits from proximity and operational alignment with the Group's Book and Package Printing business which consistently provides a stable demand base (25% of the business' production is purchased internally). Overlap of some customers and segments also provides sales opportunities for both business units.

The unit was not immune to the effects of the economic slowdown and rising cost base faced by other business units. In response, the business unit has intensified its sales development efforts in the domestic market which helped to partially offset the shortfall in the export sector. The management has also taken initiatives to revamp the production process and layout to improve cost efficiency.

Revenue & Profit Contribution (in %)



PAPER TRADING

Hung Hing is one of the largest paper trading operators in Asia outside Japan. The business unit's professional facility in Shenzhen has a capacity of over 60,000 tons of paper, and can supply a wide variety of papers to customers on short lead times at competitive prices.

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

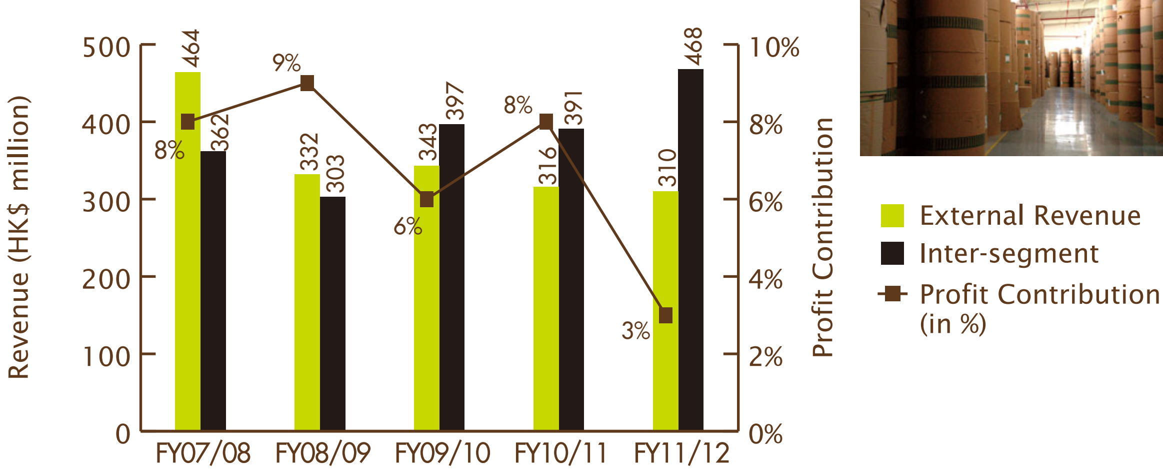
The business reported the following results for the year:

- Revenue of HK$310 million, down 2% from HK$316 million the previous year
- Profit contribution of HK$21 million, down 62% from HK$56 million last year
- Profit contribution margin of 3%, down from 8% the previous year

Review of Operations

Over 90% of the unit's sales are to exporters in South China, and the balance to the China domestic market. During the year under review, its revenue was impacted by the slowdown in the export activity across the Pearl River Delta. High paper costs, coupled with declining demand led to intensified price competition and reduced profit margins.

Revenue & Profit Contribution (in %)



ASSOCIATED COMPANIES

Hung Hing has equity interests in two businesses: a 17% stake in Rengo Hung Hing Paper Manufacturing located in Zhongshan, Guangdong Province, and a 40% stake in Graphic Hung Hing Packaging (Shanghai) Co. Ltd. The Group's share of the losses from the two businesses in the financial year was HK$16 million.

The paper manufacturing business operates three production lines at the Zhongshan plant, converting waste paper into corrugated medium rolls and testliner. The paper is sold to outside converters as well as to Hung Hing's corrugated box division.

Graphic Hung Hing Packaging (Shanghai) Co. Ltd. is a joint venture (JV) with Graphic Packaging International, a leading provider of packaging solutions for the beverage industry. Based in Shanghai, the JV sells multi-pack beverage packaging cartons to customers throughout China.

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 2012.

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.

Results and dividends

The Group's profit for the year ended 31 March 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 136.

An interim dividend of HK2 cents per share was paid on 12 January 2012. The directors recommend the payment of a final dividend of HK2 cents per share to shareholders on the register of members on 7 September 2012. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the equity section of the statement of financial position.

Summary financial information

A summary of the results and assets, liabilities and non-controlling 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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**2,854,459**	2,764,789	2,397,850	2,873,710	2,827,922
Operating profit	**72,891**	223,066	204,519	370,844	159,205
Finance costs	**(10,973)**	(10,341)	(11,411)	(38,476)	(129,401)
Share of losses of associates	**(16,423)**	(15,616)	(2,639)	(1,560)	–
Profit before income tax	**45,495**	197,109	190,469	330,808	29,804
Income tax expense	**(16,383)**	(37,053)	(24,890)	(26,172)	(36,587)
Profit/(loss) from continuing operations	**29,112**	160,056	165,579	304,636	(6,783)
Discontinued operations					
Profit/(loss) from discontinued operations	–	–	19,117	(470,075)	3,388
Profit/(loss) for the year	**29,112**	160,056	184,696	(165,439)	(3,395)
Profit/(loss) attributable to:					
Owners of the Company					
Continuing operations	**25,539**	156,493	148,169	279,613	(19,792)
Discontinued operations	–	–	18,435	(277,844)	1,993
	25,539	156,493	166,604	1,769	(17,799)
Non-controlling interests					
Continuing operations	**3,573**	3,563	17,410	25,023	13,009
Discontinued operations	–	–	682	(192,231)	1,395
	3,573	3,563	18,092	(167,208)	14,404
	29,112	160,056	184,696	(165,439)	(3,395)
Earnings/(loss) per share					
Basic	**HK2.8 cents**	HK17.3 cents	HK18.2 cents	HK0.2 cents	HK(3.0) cents
Diluted	**HK2.8 cents**	HK17.2 cents	HK18.1 cents	HK0.2 cents	HK(3.0) cents

Assets, liabilities and non-controlling interests

	At 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**1,366,117**	1,330,903	1,304,175	1,362,602	1,619,897
Land use rights	**109,215**	110,951	112,328	147,859	150,784
Intangible assets	**11,140**	9,405	8,698	5,231	11,513
Available-for-sale financial assets	**8,034**	8,653	8,490	7,367	9,408
Properties under construction	**19,391**	35,255	249	35,994	40,844
Interests in associates	**41,080**	54,018	21,638	–	–
Derivative financial instruments	–	–	193	–	–
Deferred income tax assets	**14,103**	10,926	11,429	4,348	7,735
Deposits paid for acquisition of property, plant and equipment	**3,064**	8,492	–	–	–
Current assets	**2,214,422**	2,076,316	2,355,766	2,524,713	2,955,848
Total assets	**3,786,566**	3,644,919	3,822,966	4,088,114	4,796,029
Current liabilities	**624,437**	775,917	794,613	895,244	2,062,599
Derivative financial instruments	–	–	233	–	–
Borrowings	**313,614**	10,714	–	60,000	214,055
Structured borrowings	–	–	–	–	42,163
Deferred income tax liabilities	**44,568**	46,117	40,654	39,797	40,802
Total liabilities	**982,619**	832,748	835,500	995,041	2,359,619
Non-controlling interests	**142,064**	138,427	128,378	218,958	382,887
Equity attributable to owners of the Company	**2,661,883**	2,673,744	2,859,088	2,874,115	2,053,523

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 14 to the financial statements.

Share capital

Details of movements in the Company's share capital during the year are set out in note 30 to the financial statements.

Purchase, redemption or sale of listed securities of the Company

On 21 December 2009, the Company adopted a Restricted Share Award Scheme. The Trustee of the Restricted Share Award Scheme purchased 3,874,754 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 the movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 31 to the financial statements, respectively.

Distributable reserves

The Company's distributable reserve as at 31 March 2012, calculated under Section 79B of the Companies Ordinance and with reference to the "Guidance on the Determination of Realised Profit and Losses in the Context of Distributions under the Hong Kong Companies Ordinance" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), amounted to HK$139,805,000, of which HK$18,157,000 has been proposed as a final dividend for the year.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$286,000.

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 and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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:

Hiroyuki Kimura	*(appointed on 3 August 2011)*
Yoshitaka Ozawa	*(appointed on 3 August 2011)*
Katsuaki Tanaka	*(appointed on 3 August 2011)*
Yam Hon Ming, Tommy	*(appointed on 1 April 2012)*
Ho Chi Kit	*(resigned on 3 August 2011)*
Lam Tsz-Wang, Alvin	*(resigned on 3 August 2011)*
Mak Lok Qun, Denise	*(resigned on 3 August 2011)*
Peter Martin Springford	*(resigned on 3 August 2011)*
Yam Ho Ming, Michael	*(resigned on 1 April 2012)*

Independent non-executive directors:

Lo Chi Hong
Luk Koon Hoo
Yap, Alfred Donald

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

Yum Chak Ming, Matthew
Yam Hon Ming, Tommy
Lo Chi Hong
Luk Koon Hoo

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. Alfred Donald Yap, 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

Executive directors

Mr. Yum Chak Ming, Matthew, aged 54, is the Executive Chairman of the Group. He has been 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 53, is the Executive Director, Consumer Product Packaging. He is responsible for overseeing the operation of the Group's Consumer Product Packaging business in the 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.

Non-executive directors

Mr. Hiroyuki Kimura, aged 63, is an executive officer of Rengo Co., Ltd. ("Rengo") with management responsibilities in Rengo's Overseas Unit. He holds a Bachelor of Industrial Engineering from Kansai University, Japan. Mr. Kimura has been with Rengo since 1971 in various positions and was from 2005 until July 2011 the general manager of the Rengo's Packaging Design Department.

Biographical details of the directors of the Company and senior management of the Group (Continued)

Non-executive directors (Continued)

Mr. Yoshitaka Ozawa, aged 62, is a member of the board of Rengo and is the senior managing executive officer with responsibility for Rengo's Overseas Unit. He holds a Bachelor of Mechanical Engineering from Waseda University, Japan. Mr. Ozawa has been with Rengo since 1974 in various positions and has been a member of the board since June 2002.

Mr. Katsuaki Tanaka, aged 61, is a Senior Adviser of Rengo and Rengo's Overseas Unit. He holds a Bachelor of Agricultural Sciences from the University of Tokyo, Japan. Mr. Tanaka joined Rengo on 1 August 2011 and was between June 2010 and July 2011 the corporate auditor of Sumisho Mitsuibussan Kenzai Co., Ltd. Before that he worked for Sumisho Paper Co., Ltd. where he was a director between 2003 and 2010.

Mr. Yam Hon Ming, Tommy, aged 48, holds a Bachelor of Arts degree in Economics from York University, Canada. Mr. Yam has significant management experience in the printing industry. He was a non-executive director of the Company from 1991 to 1996. He rejoined the Company in 1999 and served as an executive director of the Company from July 2000 to July 2008. He was also the general manager of Hung Hing Packaging (Wuxi) Company Limited, a subsidiary of the Company, and was responsible for its general management between 2002 and 2008. He is a brother of Mr. Yum Chak Ming, Matthew.

Independent non-executive directors

Mr. Lo Chi Hong, aged 65, was a Board Director and Vice President of Sino United Publishing (Holdings) Limited and is an 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.

Independent non-executive directors (Continued)

Mr. Luk Koon Hoo, aged 61, has been an independent non-executive director of the Company since August 2008. He is a retired banker and has 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975 and became the bank's Chief Financial Officer in 1989. He was appointed Executive Director and Deputy Chief Executive in 1994 and was subsequently re-designated 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 i-Cable Communications 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. Yap, Alfred Donald, JP, aged 73, 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 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.

Senior management

Mr. Lui Man Yiu, Eric, aged 56, 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.

Senior management (Continued)

Mr. Tung Yu Biu, aged 63, 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 52, is the General Manager, Product integrity and is responsible for overseeing improvements in quality (assurance and control), product engineering code of conduct, safety, ethics and sustainability initiatives. 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 51, 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 Siu Man, Alvin, aged 54, 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.

Ms. Chong Wai Kan, Winky, aged 42, is responsible for the management of the Group's paper trading business. She has over 20 years of experience in paper trading and has been with the Group since 1992.

Mr. Lim Pheck Wan, Richard, aged 47, is responsible for the sales and marketing operations of the Group's book and package printing business. He holds a Master's Degree in International Marketing from the University of Strathclyde, Glasgow. He has over 20 years experience in the printing business and has managed operations in Singapore/Malaysia and Eastern China. He has been with the Group since July 2011.

Mr. So Ching Tung, Tony, aged 42, is responsible for the management of the corrugated box business in Hong Kong and Shenzhen. He holds a Bachelor of Science degree (Honours) in Science from the Hong Kong Baptist University and a Master of Business Administration degree from The Hong Kong Polytechnic University. He has been with the Group since 2006.

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 or remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' interests in contracts

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

Directors' interests in shares and underlying shares

At 31 March 2012, the interests of the directors in the share capital and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest					
Name of directors	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Share award scheme	Total	Percentage of the Company's issued share capital
Yum Chak Ming, Matthew	11,513,997	-	-	1,669,033	13,183,030	1.45
Sung Chee Keung	814,247	60,000	-	608,817	1,483,064	0.16
Yap, Alfred Donald	27,504	-	-	-	27,504	-

Save as disclosed above, as at 31 March 2012, 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 32 to the financial statements.

Directors' rights to acquire shares (Continued)

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 2012, 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
C.H. Yam International Limited[1]	(a)	Directly beneficially owned and through controlled corporation	290,834,379	32.03
C.H. Yam Holding Limited	(a)	Through controlled corporation	199,263,190	21.95
Hung Tai Industrial Company Limited	(a)	Directly beneficially owned	199,263,190	21.95
Rengo Co., Ltd.		Directly beneficially owned	271,552,000	29.91
CVC Capital Partners SICAV-FIS S.A	(b)	Through controlled corporation	69,024,445	7.60
CVC Capital Partners Finance Ltd	(b)	Through controlled corporation	69,024,445	7.60
CVC Capital Partners Advisory Company Limited	(b)	Through controlled corporation	69,024,445	7.60
CVC Capital Partners Asia III Limited	(b)	Through controlled corporation	69,024,445	7.60
CVC Capital Partners Asia Pacific III L.P.	(b)	Through controlled corporation	69,024,445	7.60
Asia Packaging Group Holdings Limited	(b)	Through controlled corporation	69,024,445	7.60
Asia Packaging Holdings Limited	(b)	Through controlled corporation	69,024,445	7.60
Asia Packaging Company Limited	(b)	Directly beneficially owned	69,024,445	7.60
Aberdeen Asset Management PLC		Through controlled corporation	64,272,000	7.08

[1] C.H. Yam International Limited, established by the founder of the Company, was held by Mr. Yum Chak Ming, Matthew, Mr. Yam Ho Ming, Michael, Mr. Yam Hon Ming, Tommy and other immediate family members of the founder as at 31 March 2012. None of such interests renders C.H. Yam International Limited a controlled corporation (as defined in SFO) of any of Mr. Yum Chak Ming, Matthew, Mr. Yam Ho Ming, Michael, Mr. Yam Hon Ming, Tommy or any other members of the family.

Note:

(a) C.H. Yam International Limited owns Hung Tai Industrial Company Limited as to 100% through its wholly-owned subsidiary, C.H. Yam Holding Limited.

There is a duplication of interests of 199,263,190 shares in the Company among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited.

(b) There is a duplication of interests of 69,024,445 shares in the Company among CVC Capital Partners SICAV-FIS S.A, CVC Capital Partners Finance Ltd, CVC Capital Partners Advisory Company Limited, 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.

Substantial shareholders' and other persons' interests in shares and underlying shares (Continued)

Save as disclosed above, as at 31 March 2012, 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.

Continuing Connected Transactions – Exempt from Independent Shareholders' Approval

Each of Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited (collectively, the "Paper Mill Entities") is a Sino-foreign joint venture company incorporated under the laws of the PRC and is principally engaged in paper manufacturing. Rengo Co., Ltd. ("Rengo") is a substantial shareholder of the Company and each of the Paper Mill Entities, in which Rengo holds approximately 62.8% equity interests, is an associate of Rengo and therefore a connected person of the Company. The following continuing transactions between the Paper Mill Entities and the Company or its subsidiaries are therefore continuing connected transactions, and are required to be disclosed in the annual report of the Company.

On 29 August 2011, the Company and the Paper Mill Entities entered into 2 framework agreements as follows:

(1) An agreement pursuant to which the Company agreed to purchase, and procure the Company's subsidiaries to purchase, and the Paper Mill Entities agreed to sell paper during the period from 3 August 2011 to 31 March 2012 (the "Purchase of Paper Framework Agreement"). During this period, the actual amount of transactions and the annual cap were HK$56 million and HK$90 million respectively.

(2) An agreement pursuant to which the Company agreed to sell, or procure the Company's subsidiaries to sell, and the Paper Mill Entities agreed to purchase waste paper during the period from 3 August 2011 to 31 March 2012 (the "Sale of Waste Paper Framework Agreement"). During this period, the actual amount of transactions and the annual cap were HK$12 million and HK$48 million respectively.

Continuing Connected Transactions – Exempt from Independent Shareholders' Approval (Continued)

On 27 February 2012, the Company and Paper Mill Entities agreed to renew each of the Purchase of Paper Framework Agreement and the Sale of Waste Paper Framework Agreement for a term of one year commencing on 1 April 2012. The revised annual caps for the twelve months ending 31 March 2013 with regard to the Purchase of Paper Framework Agreement and the Sale of Waste Paper Framework Agreement are HK$72 million and HK$38 million, respectively. The revised annual caps were determined with reference to the historical amounts of the relevant transactions and the potential growth of the Company's business. Further details of the above transactions were set out in the announcements of the Company dated 29 August 2011 and 27 February 2012.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged its auditor, PricewaterhouseCoopers, to conduct a review of the above continuing connected transactions for the year ended 31 March 2012 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter in respect of the continuing connected transactions disclosed in the paragraph above. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In accordance with Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year ended 31 March 2012 and confirmed that the above continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing the transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Continuing Connected Transactions – Exempt from Independent Shareholders' Approval (Continued)

The above continuing connected transactions constitute related party transactions which are set out in note 35 to the consolidated financial statements included in this annual report. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 26 June 2012

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. In addition, the Company is committed to continuously improving these practices and cultivating an ethical corporate culture.

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 2012 except for the following deviations:

Code Provision A 2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of the former Chief Executive Officer, Mr. David R. Eitemiller, the Company has not appointed a successor to this position. The roles of the chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew, the Executive Chairman of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company that Mr. Yum should hold these offices. The Board believes that it is able effectively to monitor and assess management in a manner that properly protects the interests of shareholders.

Code Provision A 4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company 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 every year at the annual general meeting. All directors of the Company retire by rotation at least once every three years and hence the terms of appointment of the Non-executive Directors are limited accordingly.

Board composition and board practices

The Board of Directors (the "Board") of the Company is composed of 9 directors, of which 2 are Executive Directors including the Executive Chairman, 4 are Non-executive Directors and 3 are Independent Non-executive Directors. All the Independent Non-executive Directors have appropriate professional qualifications, experience or related industry expertise. The Directors biography and relevant relationships amongst them are set out in the Biographical Details of Directors section on pages 24 to 26 of this Annual Report.

Board composition and board practices (Continued)

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, potential 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. Majority of members of the Nomination Committee are Independent Non-executive Directors.

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.

Key and important decisions are fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Executive Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Company Secretary, the Executive 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 and the management team. They report periodically to the Board their work and business decisions.

Board composition and board practices (Continued)

The Board meets regularly and six full board meetings were held in 2011/12.

		Attendance
Executive Chairman		
Yum Chak Ming, Matthew		6/6
Executive Director		
Sung Chee Keung		6/6
Non-executive Directors		
Ho Chi Kit	(resigned on 3 August 2011)	2/3
Lam Tsz-Wang, Alvin	(resigned on 3 August 2011)	3/3
Mak Lok Qun, Denise	(resigned on 3 August 2011)	3/3
Peter Martin Springford	(resigned on 3 August 2011)	3/3
Yam Ho Ming, Michael		6/6
Yoshitaka Ozawa	(appointed on 3 August 2011)	3/3
Hiroyuki Kimura	(appointed on 3 August 2011)	3/3
Katsuaki Tanaka	(appointed on 3 August 2011)	3/3
Independent Non-executive Directors		
Yap, Alfred Donald		6/6
Luk Koon Hoo		6/6
Lo Chi Hong		6/6

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 scheduled 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 committee 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 Executive Chairman or the Chairman of the Audit Committee is the person to be notified for securities dealings by Directors and a designated 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 2012.

Senior Management of the Company is also required to comply with the guidelines on similar terms as set out in the Model Code.

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.

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 its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 40 to 41 of this Annual Report.

Auditor's remuneration

For the year ended 31 March 2012, the Auditor of the Company will receive approximately HK$2,300,000 for their audit service. Non-audit service which covered taxation service provided to the Group was approximately HK$215,000 in 2011/12.

Remuneration committee

The Remuneration Committee comprises of 3 Independent Non-executive Directors and 1 Non-executive Director. They are Mr. Alfred Donald Yap (Committee Chairman), Mr. Luk Koon Hoo, Mr. Lo Chi Hong and Mr. Hiroyuki Kimura. The Committee's authority and duties are set out in written terms of reference which are posted on the websites of the Company and the Stock Exchange.

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. A Restricted Share Award Scheme was set up to attract, motivate and retain employees and tie their interest to the long-term growth of the Company.

No individual director and senior manager is allowed to determine his or her own remuneration.

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

The Committee met four times in 2011/12 and the attendance record were:

		Attendance
Yap, Alfred Donald		4/4
Luk Koon Hoo		4/4
Lo Chi Hong		4/4
Lam Tsz-Wang, Alvin	(resigned on 3 August 2011)	1/1
Hiroyuki Kimura	(appointed on 3 August 2011)	2/3

Remuneration committee (Continued)

During the year, the Committee reviewed and recommended to the Board for approval the followings:

- incentive bonus program of Executive Directors and Senior Management
- director fee of Non-executive Directors
- salary adjustment of Executive Directors and Senior Management
- renewal of the Restricted Share Award Scheme for further 3 years
- revised terms of reference of the Committee

Nomination committee

The Nomination Committee comprises of 3 Independent Non-executive Directors, Mr. Luk Koon Hoo (Committee Chairman), Mr. Alfred Donald Yap, Mr. Lo Chi Hong, 1 Non-executive Director, Mr. Hiroyuki Kimura, and the Executive Chairman, Mr. Yum Chak Ming, Matthew. The Committee is responsible for making recommendation to the Board for selection and nomination of directors, and the succession planning of directors and senior management. The Committee also reviews the size, structure and composition of the Board and assesses the independence of Independent Non-executive Directors.

The Committee met twice in 2011/12 and the attendance record were:

		Attendance
Luk Koon Hoo		2/2
Ho Chi Kit	(resigned on 3 August 2011)	0/1
Peter Martin Springford	(resigned on 3 August 2011)	1/1
Hiroyuki Kimura	(appointed on 3 August 2011)	1/1
Yap, Alfred Donald	(appointed on 27 February 2012)	0/0
Lo Chi Hong	(appointed on 27 February 2012)	0/0

During the year, the work performed by the Committee included the followings:

- the recommendation of the retiring directors for re-election at the annual general meeting
- the nomination of Mr. Yam Hon Ming, Tommy as Non-executive Director to fill the vacancy as left by the resignation of Mr. Yam Ho Ming, Michael on 1 April 2012
- the recommendation to the Board approving the revised terms of reference of the Committee

Audit committee

The Audit Committee comprises of 3 Independent Non-executive Directors and 1 Non-executive Director. They are Mr. Luk Koon Hoo (Committee Chairman), Mr. Alfred Donald Yap, Mr. Lo Chi Hong and Mr. Yoshitaka Ozawa. The Committee held three meetings in 2011/12 and the attendance record were:

		Attendance
Luk Koon Hoo		3/3
Yap, Alfred Donald		3/3
Lo Chi Hong		3/3
Peter Martin Springford	(resigned on 3 August 2011)	1/1
Yoshitaka Ozawa	(appointed on 3 August 2011)	2/2

During the year the work performed by the Committee included the followings:

- reviewing the financial statements for FY2011 and for the six months ended 30 September 2011 focusing on any change of accounting polices and practices, significant audit adjustments, and compliance with accounting standards and listing rules requirement
- reviewing the risk analysis and internal control recommendation of the auditors in their Audit Committee Report
- reviewing with the auditors the scope of their audit, their audit plan, their independence, their risk assessment and changes in accounting standards affecting the Company in 2011/12
- reviewing the audit plan, audit progress report and significant audit findings of the Internal Audit Department with management at all committee meetings
- reviewing with management on implementation of the recommendations made by the Internal Audit Department
- reviewing the revised terms of reference of the Committee and recommending to the Board for approval

The Committee is satisfied with the findings of their review of the work of the external auditors, their audit fees, results of their audits and has recommended to the Board their re-appointment for the financial year ending on 31 December 2012 at the forthcoming annual general meeting.

pwc

羅兵咸永道

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 42 to 136, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

Auditor’s responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2012, 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, 26 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	**2,854,459**	2,764,789
Cost of sales	6	**(2,469,582)**	(2,286,491)
Gross profit		**384,877**	478,298
Other income and gains	5	**38,217**	41,140
Gain on deemed disposal of associates	33	**–**	52,178
Distribution costs		**(70,037)**	(73,933)
Administrative and selling expenses	6	**(272,084)**	(265,449)
Other expenses	6	**(8,082)**	(9,168)
Operating profit		**72,891**	223,066
Finance costs	7	**(10,973)**	(10,341)
Share of losses of associates	20	**(16,423)**	(15,616)
Profit before income tax		**45,495**	197,109
Income tax expense	10	**(16,383)**	(37,053)
Profit for the year		**29,112**	160,056
Profit attributable to:			
Owners of the Company		**25,539**	156,493
Non-controlling interests		**3,573**	3,563
		29,112	160,056
		HK cents	HK cents
Earnings per share attributable to owners of the Company	12		
Basic		**2.8**	17.3
Diluted		**2.8**	17.2
		HK$'000	HK$'000
Dividends	13	**36,314**	245,123

The notes on pages 51 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**29,112**	160,056
Other comprehensive income:		
Cash flow hedges, net of tax	**285**	(293)
Currency translation differences	**34,458**	44,038
Fair value change of intangible assets	**2,000**	–
Fair value change of available-for-sale financial assets (Note 17)	**(619)**	17
Other comprehensive income for the year, net of tax	**36,124**	43,762
Total comprehensive income for the year	**65,236**	203,818
Total comprehensive income for the year attributable to:		
Owners of the Company	**56,349**	193,769
Non-controlling interests	**8,887**	10,049
Total comprehensive income for the year	**65,236**	203,818

The notes on pages 51 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**1,366,117**	1,330,903
Land use rights	15	**109,215**	110,951
Intangible assets	16	**11,140**	9,405
Available-for-sale financial assets	17	**8,034**	8,653
Properties under construction	18	**19,391**	35,255
Interests in associates	20	**41,080**	54,018
Deferred income tax assets	29	**14,103**	10,926
Deposits paid for acquisition of property, plant and equipment		**3,064**	8,492
Total non-current assets		**1,572,144**	1,568,603
Current assets			
Inventories	21	**711,398**	682,574
Trade and bills receivables	22	**647,950**	558,893
Prepayments, deposits and other receivables	23	**62,467**	34,869
Derivative financial instruments	24	**253**	1,844
Amounts due from associates	34(b)	**5,024**	4,524
Tax recoverable		**6,384**	6,099
Pledged time deposits	25	**17,321**	94,573
Cash and cash equivalents	25	**763,625**	692,940
Total current assets		**2,214,422**	2,076,316
Total assets		**3,786,566**	3,644,919
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**90,787**	90,787
Reserves	31(a)	**2,552,939**	2,537,564
Proposed dividend	13	**18,157**	45,393
		2,661,883	2,673,744
Non-controlling interests		**142,064**	138,427
Total equity		**2,803,947**	2,812,171

The notes on pages 51 to 136 are an integral part of these consolidated financial statements.

	Note	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Borrowings	28	**313,614**	10,714
Deferred income tax liabilities	29	**44,568**	46,117
Total non-current liabilities		**358,182**	56,831
Current liabilities			
Trade and bills payables	26	**223,909**	204,467
Current income tax liabilities		**22,156**	23,986
Other payables and accrued liabilities	27	**157,235**	142,154
Derivative financial instruments	24	**–**	823
Amounts due to associates	34(b)	**4,540**	4,489
Borrowings	28	**216,597**	399,998
Total current liabilities		**624,437**	775,917
Total liabilities		**982,619**	832,748
Total equity and liabilities		**3,786,566**	3,644,919
Net current assets		**1,589,985**	1,300,399
Total assets less current liabilities		**3,162,129**	2,869,002

The notes on pages 51 to 136 are an integral part of these consolidated financial statements.

The financial statements on pages 42 to 136 were approved by the Board of Directors of the Company on 26 June 2012 and were signed on its behalf.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**262**	43
Land use rights	15	**8,201**	8,760
Available-for-sale financial assets	17	**566**	566
Interests in subsidiaries	19	**319,926**	279,969
Interests in associates	20	**13,338**	13,338
Total non-current assets		**342,293**	302,676
Current assets			
Prepayments, deposits and other receivables	23	**886**	396
Derivative financial instruments	24	**253**	425
Amounts due from subsidiaries	34(a)	**1,566,616**	1,852,104
Cash and cash equivalents	25	**256,928**	57,653
Total current assets		**1,824,683**	1,910,578
Total assets		**2,166,976**	2,213,254
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**90,787**	90,787
Reserves	31(b)	**2,054,317**	2,012,021
Proposed dividend	13	**18,157**	45,393
Total equity		**2,163,261**	2,148,201
Current liabilities			
Other payables and accrued liabilities	27	**3,715**	7,766
Amount due to a subsidiary	34(a)	**–**	57,287
Total liabilities		**3,715**	65,053
Total equity and liabilities		**2,166,976**	2,213,254
Net current assets		**1,820,968**	1,845,525
Total assets less current liabilities		**2,163,261**	2,148,201

The notes on pages 51 to 136 are an integral part of these consolidated financial statements.

The financial statements on pages 42 to 136 were approved by the Board of Directors of the Company on 26 June 2012 and were signed on its behalf.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2012

		Attributable to owners of the Company													
	Note	Share capital HK$'000	Share premium HK$'000	Other capital reserves HK$'000	Hedging reserve HK$'000	Intangible asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (Note 31(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2010		91,158	1,559,461	(6,488)	(6,925)	4,400	(96)	114,725	89,947	3,303	836,614	172,989	2,859,088	128,378	2,987,466
Comprehensive income															
Profit for the year		-	-	-	-	-	-	-	-	-	156,493	-	156,493	3,563	160,056
Other comprehensive income/(loss)															
Cash flow hedges, net of tax		-	-	-	(293)	-	-	-	-	-	-	-	(293)	-	(293)
Gain on revaluation		-	-	-	-	-	17	-	-	-	-	-	17	-	17
Currency translation differences		-	-	-	-	-	-	-	37,552	-	-	-	37,552	6,486	44,038
Total other comprehensive income/(loss)		-	-	-	(293)	-	17	-	37,552	-	-	-	37,276	6,486	43,762
Total comprehensive income/(loss)		-	-	-	(293)	-	17	-	37,552	-	156,493	-	193,769	10,049	203,818
Transactions with owners															
Final 2010 dividend declared		-	-	-	-	-	-	-	-	-	-	(172,831)	(172,831)	-	(172,831)
Share repurchased and cancelled	30	(371)	-	371	-	-	-	-	-	-	(8,842)	-	(8,842)	-	(8,842)
Purchase of shares for restricted share award scheme	32	-	-	(1,237)	-	-	-	-	-	-	-	-	(1,237)	-	(1,237)
Equity compensation expenses	32	-	-	-	-	-	-	-	-	7,324	-	-	7,324	-	7,324
Forfeiture of share awarded	32	-	-	-	-	-	-	-	-	(328)	328	-	-	-	-
Reduction in final 2010 dividend due to repurchase of shares		-	-	-	-	-	-	-	-	-	158	(158)	-	-	-
Allocation to legal reserve		-	-	-	-	-	-	5,531	-	-	(5,531)	-	-	-	-
Recycle upon maturity		-	-	-	6,933	-	-	-	-	-	-	-	6,933	-	6,933
Interim 2011 dividend	13	-	-	-	-	-	-	-	-	-	(45,393)	-	(45,393)	-	(45,393)
Special interim 2011 dividend	13	-	-	-	-	-	-	-	-	-	(154,337)	-	(154,337)	-	(154,337)
Proposed final 2011 dividend	13	-	-	-	-	-	-	-	-	-	(45,393)	45,393	-	-	-
Realisation of reserve upon deemed disposal of partial interests in associates	33	-	-	-	-	-	-	(1,557)	(10,730)	-	1,557	-	(10,730)	-	(10,730)
Total transactions with owners		(371)	-	(866)	6,933	-	-	3,974	(10,730)	6,996	(257,453)	(127,596)	(379,113)	-	(379,113)
At 31 March 2011		90,787	1,559,461	(7,354)	(285)	4,400	(79)	118,699	116,769	10,299	735,654	45,393	2,673,744	138,427	2,812,171

The notes on pages 51 to 136 are an integral part of these consolidated financial statements.

	Note	Share capital HK$'000	Share premium HK$'000	Other capital reserves HK$'000	Hedging reserve HK$'000	Intangible asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (Note 31(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company													
At 1 April 2011		90,787	1,559,461	(7,354)	(285)	4,400	(79)	118,699	116,769	10,299	735,654	45,393	2,673,744	138,427	2,812,171
Comprehensive income															
Profit for the year		-	-	-	-	-	-	-	-	-	25,539	-	25,539	3,573	29,112
Other comprehensive income/(loss)															
Cash flow hedges, net of tax		-	-	-	285	-	-	-	-	-	-	-	285	-	285
Gain/(loss) on revaluation		-	-	-	-	2,000	(619)	-	-	-	-	-	1,381	-	1,381
Currency translation differences		-	-	-	-	-	-	-	29,144	-	-	-	29,144	5,314	34,458
Total other comprehensive income/(loss)		-	-	-	285	2,000	(619)	-	29,144	-	-	-	30,810	5,314	36,124
Total comprehensive income/(loss)		-	-	-	285	2,000	(619)	-	29,144	-	25,539	-	56,349	8,887	65,236
Transactions with owners															
Final 2011 dividend declared		-	-	-	-	-	-	-	-	-	-	(45,393)	(45,393)	-	(45,393)
Purchase of shares for restricted share award scheme	32	-	-	(9,737)	-	-	-	-	-	-	-	-	(9,737)	-	(9,737)
Equity compensation expenses	32	-	-	-	-	-	-	-	-	5,077	-	-	5,077	-	5,077
Forfeiture of share awarded	32	-	-	-	-	-	-	-	-	(1,654)	1,654	-	-	-	-
Shares vested under the restricted share award scheme	32	-	-	3,049	-	-	-	-	-	(3,049)	-	-	-	-	-
Allocation to legal reserve		-	-	-	-	-	-	2,276	-	-	(2,276)	-	-	-	-
Interim 2012 dividend	13	-	-	-	-	-	-	-	-	-	(18,157)	-	(18,157)	-	(18,157)
Proposed final 2012 dividend	13	-	-	-	-	-	-	-	-	-	(18,157)	18,157	-	-	-
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(5,250)	(5,250)
Total transactions with owners		-	-	(6,688)	-	-	-	2,276	-	374	(36,936)	(27,236)	(68,210)	(5,250)	(73,460)
At 31 March 2012		90,787	1,559,461	(14,042)	-	6,400	(698)	120,975	145,913	10,673	724,257	18,157	2,661,883	142,064	2,803,947

The notes on pages 51 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash generated from operations	36	**80,049**	288,678
Hong Kong profit tax paid		**(14,087)**	(19,320)
Mainland China tax paid		**(9,692)**	(19,269)
Net cash inflow from operating activities		**56,270**	250,089
Cash flows from investing activities			
Proceeds from disposals of intangible assets		**–**	897
Settlement of derivative financial instruments		**711**	4,003
Interest received		**9,406**	7,303
Dividend received from available-for-sale financial assets	5	**347**	347
Purchases of property, plant and equipment	14	**(111,173)**	(89,068)
Purchases of software	16	**(582)**	(1,913)
Additions to properties under construction	18	**(21,171)**	(65,667)
Deposits paid for acquisition of property, plant and equipment		**(3,064)**	(8,492)
Net payment of consideration payable in relation to the acquisition and disposal in a prior year		**–**	(30,405)
Proceeds from disposals of property, plant and equipment		**23,460**	7,363
Decrease/(increase) in pledged time deposits		**77,252**	(94,573)
Increase in time deposits with original maturity over three months		**(123,070)**	–
Net cash outflow from investing activities		**(147,884)**	(270,205)

The notes on pages 51 to 136 are an integral part of these consolidated financial statements.

	Note	2012 HK$'000	2011 HK$'000
Cash flows from financing activities			
Purchase of shares for restricted shares award scheme	32	**(9,737)**	(1,237)
Repurchases of shares	30	**–**	(8,842)
Dividends paid		**(63,550)**	(372,561)
Dividends paid to non-controlling interests		**(5,250)**	–
Proceeds from borrowings		**440,839**	160,290
Repayments of borrowings		**(321,340)**	(174,670)
Interest paid		**(11,140)**	(10,937)
Net cash inflow/(outflow) from financing activities		**29,822**	(407,957)
Net decrease in cash and cash equivalents		**(61,792)**	(428,073)
Cash and cash equivalents at beginning of year		**692,940**	1,108,778
Effect of foreign exchange rate changes, net		**9,407**	12,235
Cash and cash equivalents at end of year		**640,555**	692,940
Analysis of balances of cash and cash equivalents			
Cash and bank balances	25	**211,746**	367,977
Time deposits with original maturity of less than three months when acquired		**428,809**	324,963
		640,555	692,940

The notes on pages 51 to 136 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 packaging printing;
- Consumer product packaging;
- Corrugated cartons; and
- Trading of paper.

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 26 June 2012.

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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

These financial statements 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 HKFRS 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)

Changes in accounting policy and disclosures

(a) New and amended standards and interpretations adopted by the Group

(i) The following amendments to standards are mandatory for the Group's accounting year beginning on 1 April 2011. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

		Effective for accounting year beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2011
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Amendment)	Consolidated and separate financial statements	1 July 2010
HKAS 34 (Amendment)	Interim financial reporting	1 January 2011
HKFRS 3 (Amendment)	Business combinations	1 July 2010
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HK (IFRIC) – Int 13 (Amendment)	Customer loyalty programmes	1 January 2011
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) – Int 19 (Amendment)	Extinguishing financial liabilities with equity instruments	1 July 2010

(ii) The following amendments to standards and interpretations are mandatory for accounting year beginning on 1 April 2011 but are not relevant to the Group's operations:

		Effective for accounting year beginning on or after
HKFRS 1 (Amendment)	First time adoption of Hong Kong Financial Reporting Standards	1 January 2011
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) New standards and amendments to standards have been issued but are not effective for the Group's accounting year beginning on 1 April 2011 and have not been early adopted:

		Effective for accounting year beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2.2 Subsidiaries

(a) Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

2.3 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. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits/loss of associates" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2.4 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.

2.5 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 remeasured. 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.

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 the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available–for-sale financial assets, are included in statement of comprehensive income.

2.5 Functional currency translation (Continued)

(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 statement of financial position presented are translated at the closing rate at the end of that reporting period;

(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 other comprehensive income.

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. Exchange differences arising are recognised in equity.

2.6 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.

2.6 Property, plant and equipment (Continued)

Depreciation is provided to allocate their costs or 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.

An 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 2.9).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and gains" 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 properties under construction 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 2.9).

2.7 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.

2.8 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. Gain or loss on disposals are determined by comparing the proceeds with the carrying amount are recognised in "other income and gains", in the consolidated income statement.

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

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. 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 if it is expected to be settled within 12 months; otherwise, they are classified as non-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 are set out in Note 40 to the consolidated financial statements.

(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.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the 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 consolidated 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.

2.10 Financial assets (Continued)

2.10.2 Recognition and measurement (Continued)

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income.

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.

2.10.3 Impairment of financial assets

(a) 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.

Evidence of impairment may include indicators that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as change in arrears or economic conditions that correlate with defaults.

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.

2.10 Financial assets (Continued)

2.10.3 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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.

(b) 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 (a) 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 the consolidated income statement – 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 consolidated income statement, the impairment loss is reversed through the consolidated income statement.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.12 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).

2.12 Derivative financial instruments and hedging activities (Continued)

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 24. 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 in the consolidated 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". 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.

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 consolidated 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 consolidated income statement within "other income and gains".

2.13 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.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold performed 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.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, 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. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.16 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.

2.17 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.

2.18 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 consolidated 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.

2.19 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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.

2.19 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 end of the reporting period 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.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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.

(c) Offsetting

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.

2.20 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 end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period 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 governments. 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.

The Group has no further payment obligations once the contributions have been paid for these schemes.

2.20 Employee benefits (Continued)

(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.

2.21 Share-based payments

The Group operates an equity-settled, share-based compensation plan (the "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 Share Award Scheme, directors and employees of the Group are entitled to receive shares of the Company. The shares are held in trust by Law Debenture Trust (Asia) Limited (the "Trustee") 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 32.

2.22 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.

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.

2.23 Revenue recognition

Revenue is measured at 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.

2.23 Revenue recognition (Continued)

(c) Dividend income

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

2.24 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 consolidated income statement on a straight-line basis over the period of the lease.

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.26 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.

3 Critical accounting estimates and judgments (Continued)

(a) 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.

(b) 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 2.9.

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.

(c) 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)

(d) 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 judgement to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the issue date and each subsequent end of the reporting period. 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.

(e) 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.

(f) 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 conditions. Management reassesses the provision at the end of each reporting period.

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.

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 the executive chairman, the chief executive 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 and Package Printing segment;

(b) Consumer Product Packaging segment;

(c) Corrugated Box segment; and

(d) Paper Trading segment.

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, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the years ended 31 March 2012 and 2011.

	Book and Package Printing		Consumer Product Packaging		Corrugated Box		Paper Trading		Eliminations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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	**1,512,791**	1,452,115	**767,793**	706,408	**263,564**	290,300	**310,311**	315,966	**-**	-	**2,854,459**	2,764,789
Inter-segment sales	**2,009**	4,102	**8,701**	7,033	**90,569**	102,039	**468,464**	391,318	**(569,743)**	(504,492)	**-**	-
Total	**1,514,800**	1,456,217	**776,494**	713,441	**354,133**	392,339	**778,775**	707,284	**(569,743)**	(504,492)	**2,854,459**	2,764,789
Segment results	**13,489**	90,839	**18,076**	(1,481)	**30,201**	46,048	**21,306**	55,533	**983**	(1,299)	**84,055**	189,640
Interest, dividend income and other gains											**15,460**	14,195
Corporate and unallocated expenses											**(26,624)**	(32,947)
											72,891	170,888
Gain on deemed disposal of associates											**-**	52,178
Operating profit											**72,891**	223,066
Finance costs											**(10,973)**	(10,341)
Share of loss of an associate	**(1,185)**	(2,858)	**-**	-	**-**	-	**-**	-	**-**	-	**(1,185)**	(2,858)
Share of losses of other associates											**(15,238)**	(12,758)
Profit before income tax											**45,495**	197,109
Income tax expense											**(16,383)**	(37,053)
Profit for the year											**29,112**	160,056

4 Segment information (Continued)

Business segments (Continued)

	Book and Package Printing		Consumer Product Packaging		Corrugated Box		Paper Trading		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**718,716**	666,367	**535,873**	513,261	**80,711**	118,695	**30,556**	32,536	**261**	44	**1,366,117**	1,330,903
Land use rights	**47,166**	48,581	**39,679**	39,263	**5,782**	6,117	**16,588**	16,990	**-**	-	**109,215**	110,951
Properties under construction	**1,949**	34,583	**17,025**	672	**417**	-	**-**	-	**-**	-	**19,391**	35,255
Inventories	**321,133**	264,817	**168,983**	163,435	**36,435**	47,077	**184,847**	207,245	**-**	-	**711,398**	682,574
Trade and bills receivables	**353,376**	290,363	**147,513**	138,205	**57,634**	58,888	**89,427**	71,437	**-**	-	**647,950**	558,893
Liabilities												
Trade and bills payables	**61,781**	45,068	**86,792**	91,751	**15,337**	30,174	**59,999**	37,474	**-**	-	**223,909**	204,467
Capital expenditure	**61,903**	115,211	**72,748**	31,487	**5,360**	8,209	**1,407**	1,741	**-**	-	**141,418**	156,648

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:

	2012	2011
	HK$'000	HK$'000
Hong Kong	**833,767**	903,045
The PRC	**899,285**	817,234
Europe	**569,485**	520,668
United States of America	**392,382**	365,396
Others	**159,540**	158,446
	2,854,459	2,764,789

During the years ended 31 March 2012 and 2011, 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:

	2012 HK$'000	2011 HK$'000
Revenue:		
Sale of goods	**2,854,459**	2,764,789
Other income and gains:		
Dividend income from available-for-sale financial assets	**347**	347
Bank interest income	**11,306**	7,502
Gain on disposal of intangible assets	–	511
Fair value gain on derivative financial instruments not qualified as hedges, net	**1,275**	5,347
Foreign exchange gain, net	**15,132**	20,963
Sundry income	**10,157**	6,470
	38,217	41,140

6 Expenses by nature

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

	2012 HK$'000	2011 HK$'000
Depreciation (Note 14)	**111,981**	107,618
Amortisation of land use rights (Note 15)	**3,173**	3,183
Amortisation of intangible assets (Note 16)	**849**	827
Auditor's remuneration	**2,300**	1,800
Employee benefit expense – excluding Directors' emoluments (Note 8)	**664,236**	577,242
Directors' emoluments (Note 9)	**9,538**	10,069
Operating lease charges in respect of land and buildings	**7,840**	8,010
Provision for impairment of trade receivables (Note 22)	**1,344**	3,979
Provision for impairment of inventories, net	**16,427**	72
Loss on disposals of property, plant and equipment	**7,366**	5,189

7 Finance costs

	2012 HK$'000	2011 HK$'000
Interest on bank borrowings wholly repayable within five years	**10,973**	10,341

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements.

8 Employee benefit expense – excluding Directors' emoluments

	2012 HK$'000	2011 HK$'000
Salaries, allowance and benefits in kind	**626,661**	540,966
Retirement scheme contributions	**34,851**	32,054
Share-based payments	**2,724**	4,222
	664,236	577,242

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:

	2012 HK$'000	2011 HK$'000
Fees:		
Executive directors	–	–
Non-executive directors	**934**	790
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**6,037**	5,963
Retirement scheme contributions	**214**	214
Share-based payments	**2,353**	3,102
	9,538	10,069

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	Total HK$'000
2012					
Executive directors:					
Yum Chak Ming, Matthew#*	–	4,369	202	1,724	6,295
Sung Chee Keung	–	1,668	12	629	2,309
	–	6,037	214	2,353	8,604
Non-executive directors:					
Peter Martin Springford[1]	34	–	–	–	34
Yam Ho Ming, Michael[2]	300	–	–	–	300
Hiroyuki Kimura[3]	–	–	–	–	–
Yoshitaka Ozawa[3]	–	–	–	–	–
Katsuaki Tanaka[3]	–	–	–	–	–
Ho Chi Kit[1]	–	–	–	–	–
Lam Tsz-Wang, Alvin[1]	–	–	–	–	–
Mak Lok Qun, Denise[1]	–	–	–	–	–
	334	–	–	–	334
Independent non-executive directors:					
Yap, Alfred Donald	200	–	–	–	200
Luk Koon Hoo	200	–	–	–	200
Lo Chi Hong	200	–	–	–	200
	600	–	–	–	600

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	Total HK$'000
2011					
Executive directors:					
Yum Chak Ming, Matthew#*	-	4,369	202	2,273	6,844
Sung Chee Keung	-	1,594	12	829	2,435
	-	5,963	214	3,102	9,279
Non-executive directors:					
Peter Martin Springford[1]	100	-	-	-	100
Yam Ho Ming, Michael[2]	240	-	-	-	240
Ho Chi Kit[1]	-	-	-	-	-
Lam Tsz-Wang, Alvin[1]	-	-	-	-	-
Mak Lok Qun, Denise[1]	-	-	-	-	-
	340	-	-	-	340
Independent non-executive directors:					
Yap, Alfred Donald	150	-	-	-	150
Luk Koon Hoo	150	-	-	-	150
Lo Chi Hong	150	-	-	-	150
	450	-	-	-	450

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.

\# Chairman
* Chief executive officer

1 Resigned on 3 August 2011
2 Resigned on 1 April 2012
3 Appointed on 3 August 2011

9 Emoluments for directors and five highest paid individuals (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included two (2011: two) executive directors. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,909**	6,515
Share-based payments	**1,171**	2,417
Retirement scheme contributions	**97**	101
	6,177	9,033

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

	Number of individuals	
	2012	2011
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	–	1
HK$4,000,001 – HK$4,500,000	–	1
	3	3

10 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax		
– Provision for the year	**5,771**	19,866
– PRC corporate income tax		
– Provision for the year	**14,251**	12,691
– Under provision for prior years	**1,053**	–
	15,034	12,691
Total current tax	**21,075**	32,557
Deferred income tax (Note 29)	**(4,692)**	4,496
Income tax expense	**16,383**	37,053

10 Income tax expense (Continued)

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

	2012 HK$'000	2011 HK$'000
Profit before income tax	**45,495**	197,109
Tax calculated at domestic tax rates applicable to profits in the respective countries	**8,782**	37,867
Effect of preferential tax rates[1]	**84**	(3,084)
Tax effect of share of results of associates	**2,710**	2,577
Income not subject to tax	**(4,031)**	(9,702)
Expenses not deductible for tax purpose	**5,142**	5,086
Utilisation of previously unrecognised tax losses	**(2,188)**	(830)
Tax losses for which no deferred income tax asset was recognised	**4,341**	5,683
Tax effect of temporary differences not recognised	**490**	(544)
Underprovision for prior years	**1,053**	–
Tax charge at the Group's effective tax rate	**16,383**	37,053

[1] Under the PRC Corporate Income Tax ("CIT") law, enterprises are subject to CIT at the rate of 25% from 1 January 2008. Pursuant to the "Circular to implement of the Transitional Preferential Policies for the Enterprise Income Tax" issued by the State Council of the PRC on 26 December 2007, certain subsidiaries are subject to the transitional CIT rates from 18% to 25% from year 2008 to year 2012 and other subsidiaries are subject to the unified CIT rate of 25%.

10 Income tax expense (Continued)

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

	2012		
	Before tax	**Tax charge**	**After tax**
	HK$'000	**HK$'000**	**HK$'000**
Cash flow hedges	**343**	**(58)**	**285**
Currency translation differences	**34,458**	**–**	**34,458**
Fair value gains:			
– Intangible assets	**2,000**	**–**	**2,000**
– Available-for-sale financial assets	**(619)**	**–**	**(619)**
Other comprehensive income	**36,182**	**(58)**	**36,124**

	2011		
	Before tax	Tax credit	After tax
	HK$'000	HK$'000	HK$'000
Cash flow hedges	(351)	58	(293)
Currency translation differences	44,038	–	44,038
Fair value gains of available-for-sale financial assets	17	–	17
Other comprehensive income	43,704	58	43,762

11 Profit attributable to owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$83,822,000 (2011: HK$468,284,000).

12 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company (Note 30).

	2012	2011
	HK$'000	HK$'000
Profit attributable to owners of the Company	**25,539**	156,493
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	**902,527**	905,395
Basic earnings per share (HK cents per share)	**2.8**	17.3

(b) Diluted earnings 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 32). 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 share price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

	2012	2011
	HK$'000	HK$'000
Profit attributable to owners of the Company	**25,539**	156,493
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	**904,054**	909,521
Diluted earnings per share (HK cents per share)	**2.8**	17.2

13 Dividends

	2012 HK$'000	2011 HK$'000
Interim dividend of HK2 cents (2011: HK5 cents) per ordinary share	**18,157**	45,393
Special interim dividend of HK nil cents (2011: HK17 cents) per ordinary share	–	154,337
	18,157	199,730
Proposed final dividend of HK2 cents (2011: HK5 cents) per ordinary share	**18,157**	45,393
	36,314	245,123

The Directors recommend the payment of a final dividend of HK2 cents per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company to be held on 27 August 2012. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividends in reserves (Note 31).

14 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 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
Year ended 31 March 2011					
Opening net book amount	507,896	744,464	6,469	45,346	1,304,175
Additions	1,713	81,298	1,442	4,615	89,068
Transfer from properties under construction (Note 18)	10,410	20,197	–	61	30,668
Disposals	(3,143)	(8,880)	(487)	(44)	(12,554)
Depreciation (Note 6)	(18,260)	(79,658)	(1,962)	(7,738)	(107,618)
Exchange differences	10,570	16,261	142	191	27,164
Closing net book amount	509,186	773,682	5,604	42,431	1,330,903

14 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 31 March 2011:					
Cost	679,667	1,656,019	33,270	125,932	2,494,888
Accumulated depreciation and impairment	(170,481)	(882,337)	(27,666)	(83,501)	(1,163,985)
Net book amount	509,186	773,682	5,604	42,431	1,330,903
Year ended 31 March 2012					
Opening net book amount	509,186	773,682	5,604	42,431	1,330,903
Additions	9,303	93,245	3,107	5,518	111,173
Transfer from properties under construction (Note 18)	10,936	25,693	–	2,051	38,680
Transfer from deposits paid for acquisition of property, plant and equipment	–	6,934	–	–	6,934
Disposals	–	(29,536)	(435)	(855)	(30,826)
Depreciation (Note 6)	(20,507)	(81,758)	(1,993)	(7,723)	(111,981)
Exchange differences	8,466	12,374	85	309	21,234
Closing net book amount	517,384	800,634	6,368	41,731	1,366,117
At 31 March 2012:					
Cost	710,796	1,710,867	33,050	128,605	2,583,318
Accumulated depreciation and impairment	(193,412)	(910,233)	(26,682)	(86,874)	(1,217,201)
Net book amount	517,384	800,634	6,368	41,731	1,366,117

Certain buildings of the Group with a total net book amount of HK$78,578,000 (2011: HK$78,483,000) have been pledged to secure banking facilities granted to the Group (Note 28).

14 Property, plant and equipment (Continued)

Company	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 April 2010:			
Cost	512	834	1,346
Accumulated depreciation	(362)	(787)	(1,149)
Net book amount	150	47	197
Year ended 31 March 2011			
Opening net book amount	150	47	197
Disposals	(108)	–	(108)
Depreciation	(35)	(11)	(46)
Closing net book amount	7	36	43
At 31 March 2011:			
Cost	169	834	1,003
Accumulated depreciation	(162)	(798)	(960)
Net book amount	7	36	43
Year ended 31 March 2012			
Opening net book amount	**7**	**36**	**43**
Additions	**255**	**–**	**255**
Depreciation	**(28)**	**(8)**	**(36)**
Closing net book amount	**234**	**28**	**262**
At 31 March 2012:			
Cost	**424**	**834**	**1,258**
Accumulated depreciation	**(190)**	**(806)**	**(996)**
Net book amount	**234**	**28**	**262**

15 Land use rights

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Opening net book amount	**110,951**	112,328	**8,760**	9,319
Amortisation (Note 6)	**(3,173)**	(3,183)	**(559)**	(559)
Exchange differences	**1,437**	1,806	**–**	–
Closing net book amount	**109,215**	110,951	**8,201**	8,760

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 amounts are analysed as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong:				
Medium term leases	**18,349**	18,888	**–**	–
The PRC:				
Medium term leases	**90,866**	92,063	**8,201**	8,760
Closing net book amount	**109,215**	110,951	**8,201**	8,760

Certain leasehold lands of the Group with a total net book amount of HK$17,791,000 (2011: HK$17,646,000) have been pledged to banks to secure banking facilities granted to the Group (Note 28).

16 Intangible assets

Group

	Goodwill HK$'000	Club debentures HK$'000	Software HK$'000	Total HK$'000
At 1 April 2010:				
Cost or valuation	1,634	5,550	2,152	9,336
Accumulated amortisation and impairment	–	(338)	(300)	(638)
Net book amount	1,634	5,212	1,852	8,698
Year ended 31 March 2011				
Opening net book amount	1,634	5,212	1,852	8,698
Additions	–	–	1,913	1,913
Disposals	–	(386)	–	(386)
Amortisation (Note 6)	–	(31)	(796)	(827)
Exchange differences	–	5	2	7
Closing net book amount	1,634	4,800	2,971	9,405
At 31 March 2011:				
Cost or valuation	1,634	4,800	4,067	10,501
Accumulated amortisation and impairment	–	–	(1,096)	(1,096)
Net book amount	1,634	4,800	2,971	9,405
Year ended 31 March 2012				
Opening net book amount	**1,634**	**4,800**	**2,971**	**9,405**
Additions	–	–	**582**	**582**
Fair value change	–	**2,000**	–	**2,000**
Amortisation (Note 6)	–	–	**(849)**	**(849)**
Exchange differences	–	–	**2**	**2**
Closing net book amount	**1,634**	**6,800**	**2,706**	**11,140**
At 31 March 2012:				
Cost or valuation	**1,634**	**6,800**	**4,651**	**13,085**
Accumulated amortisation and impairment	–	–	**(1,945)**	**(1,945)**
Net book amount	**1,634**	**6,800**	**2,706**	**11,140**

Amortisation expenses have been charged to administrative and selling expenses in the consolidated income statement.

16 Intangible assets (Continued)

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

Group

	Goodwill HK$'000	Club debentures HK$'000	Software HK$'000	Total HK$'000
At 31 March 2012:				
At cost	**1,634**	**–**	**4,651**	**6,285**
At valuation	**–**	**6,800**	**–**	**6,800**
	1,634	**6,800**	**4,651**	**13,085**
At 31 March 2011:				
At cost	1,634	–	4,067	5,701
At valuation	–	4,800	–	4,800
	1,634	4,800	4,067	10,501

17 Available-for-sale financial assets

Movements of available-for-sales financial assets are as follows:

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
At 1 April	**8,653**	8,490	**566**	566
Credited to consolidated income statement	**–**	146	**–**	–
Net (loss)/gain transfer to equity	**(619)**	17	**–**	–
At 31 March	**8,034**	8,653	**566**	566

17 Available-for-sale financial assets (Continued)

Available-for-sale financial assets include the following:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at cost	**80**	97	–	–
Club debentures, at fair value	**566**	566	**566**	566
Hong Kong listed equity investments, at fair value	**7,388**	7,990	–	–
	8,034	8,653	**566**	566

During the year, a fair value loss of the Group's available-for-sale financial assets of HK$619,000 (2011: gain of HK$17,000) was recognised directly in the available-for-sale investment revaluation reserve.

Available-for-sale financial assets 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 at the end of reporting period. 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 the end of each reporting period.

All the available-for-sale financial assets are denominated in HK$ (2011: HK$).

18 Properties under construction

	Group 2012 HK$'000	2011 HK$'000
Opening net book amount	**35,255**	249
Additions	**21,171**	65,667
Transfer from deposits paid for acquisition of property, plant and equipment	**1,558**	–
Transfer to property, plant and equipment (Note 14)	**(38,680)**	(30,668)
Exchange differences	**87**	7
Closing net book amount	**19,391**	35,255

The properties under construction are located in Hong Kong and the PRC.

19 Interests in subsidiaries

	Company 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost		
At 1 April	**224,969**	224,969
Addition	**54,957**	–
At 31 March	**279,926**	224,969
Loan to a subsidiary	**40,000**	55,000
Interests in subsidiaries	**319,926**	279,969

Loan to a subsidiary is unsecured, interest free and repayable twelve months after the end of the reporting period.

19 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 and paid up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK$100	100	-	Production and trading of paper products and carton boxes
Sun Hing Paper Company, Limited	Hong Kong	HK$100	100	-	Paper trading
Hung Hing Printing (China) Company Limited §§	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
Beluga Limited	Hong Kong	HK$2	100	-	E-bookstore and e-publishing
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

19 Interests in subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered and paid up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
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$31,050,000	100	-	Production and colour printing of paper products
Hung Hing Printing (Heshan) Company Limited §§	The PRC	HK$290,000,000	-	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

20 Interests in associates

	Group 2012 HK$'000	Group 2011 HK$'000
At 1 April	**54,018**	21,638
Increase in carrying value resulted from deemed disposal (Note 33)	**–**	41,448
Share of losses	**(16,423)**	(15,616)
Share of guarantee provided to a bank (Note)	**1,291**	3,051
Share of reserves	**2,194**	3,497
At 31 March	**41,080**	54,018

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$1,291,000 (2011: HK$3,051,000).

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted shares, at cost	**16,452**	16,452
Provision for impairment	**(3,114)**	(3,114)
Carrying value	**13,338**	13,338

	Group 2012 HK$'000	Group 2011 HK$'000
Share of losses of associates:		
Graphic Hung Hing Packaging (Shanghai) Company Limited ("Graphic Hung Hing")	**1,185**	2,858
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited ("Zhongshan Rengo")	**10,052**	9,142
Zhongshan Ren Hing Paper Manufacturing Company Limited ("Zhongshan Ren Hing")	**5,186**	3,616
	16,423	15,616

20 Interests in associates (Continued)

Particulars of the associates are as follows:

Name	Registered and paid up capital	Place of registration	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Graphic Hung Hing	US$1,000,000	The PRC	40	–	Provision of beverage packaging services
Zhongshan Rengo §	US$53,660,000	The PRC	11.28	5.34	Paper manufacturing
Zhongshan Ren Hing §	US$27,380,000	The PRC	11.28	5.34	Paper manufacturing

§ Sino-foreign equity joint venture

The Group accounts for these entities as associates although the Group holds less than 20% of the registered capital as the Group has the ability to exercise significant influence over the entities through board representation.

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

	2012 **HK$'000**	2011 HK$'000
Assets	**1,006,744**	887,458
Liabilities	**543,838**	301,758
Revenues	**719,533**	651,826
Losses before income tax	**105,146**	55,280

21 Inventories

	Group 2012 HK$'000	2011 HK$'000
Raw materials	**555,331**	534,788
Work in progress	**100,368**	80,360
Finished goods	**77,031**	72,331
	732,730	687,479
Less: provision for impairment of inventories	**(21,332)**	(4,905)
	711,398	682,574

22 Trade and bills receivables

	Group 2012 HK$'000	2011 HK$'000
Trade receivables	**662,734**	579,720
Less: provision for impairment of trade receivables	**(23,025)**	(24,591)
Trade receivables, net	**639,709**	555,129
Bills receivables	**8,241**	3,764
	647,950	558,893

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days from date 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.

22 Trade and bills receivables (Continued)

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

	Group	
	2012	2011
	HK$'000	HK$'000
1–30 days	**242,701**	248,782
31–60 days	**185,672**	107,027
61–90 days	**67,440**	97,105
Over 90 days	**143,896**	102,215
	639,709	555,129

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

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**24,591**	30,463
Provision for impairment of trade receivables (Note 6)	**1,344**	3,979
Amount written off as uncollectible	**(3,195)**	(10,465)
Exchange differences	**285**	614
At 31 March	**23,025**	24,591

The addition of provision for impaired receivables has 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.

As of 31 March 2012, trade receivables of approximately HK$221,094,000 (2011: HK$186,605,000) 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.

22 Trade and bills receivables (Continued)

The aging analysis of these trade receivables based on due date is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
1–30 days	**103,998**	99,631
31–60 days	**49,929**	42,706
61–90 days	**19,547**	19,247
Over 90 days	**47,620**	25,021
	221,094	186,605

As of 31 March 2012, trade receivables of approximately HK$23,025,000 (2011: HK$24,591,000) were past due and fully provided for. The individually impaired receivables were mainly related to smaller customers who were in financial difficulties. The aging analysis of these non-recoverable receivables based on due date is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
1–30 days	**91**	–
31–60 days	**457**	1,276
61–90 days	**321**	300
Over 90 days	**22,156**	23,015
	23,025	24,591

The maximum exposure to credit risk at the end of each reporting period is the carrying value of the receivables. The Group does not hold any collateral as security (2011: same).

22 Trade and bills receivables (Continued)

As of 31 March 2012 and 31 March 2011, the fair values of the trade and bills receivables are approximately their carrying amounts and they are denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
HK$	**176,065**	117,746
USD	**263,712**	213,705
RMB	**194,211**	213,666
Others	**13,962**	13,776
	647,950	558,893

23 Prepayments, deposits and other receivables

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments and deposits	**55,879**	27,989	**464**	130
Other receivables	**6,588**	6,880	**422**	266
	62,467	34,869	**886**	396

24 Derivative financial instruments

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current assets				
Forward currency contracts (Note a)	**253**	1,844	**253**	425
Current liabilities				
Forward currency contracts – Fair value hedge[1]	–	89	–	–
Forward currency contracts (Note a)	–	383	–	–
Interest rate swaps – Cash flow hedge (Note b)[1]	–	351	–	–
	–	823	–	–
[1]Derivatives used for hedging	–	440	–	–

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.

Note:

(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$1,275,000 was credited to the consolidated income statement during the year (2011: gain of HK$5,347,000).

(b) Interest rate swaps – cash flow hedge

At 31 March 2012, the Group did not have any interest rate swap.

At 31 March 2011, the Group had interest rate swap agreements in place with notional amounts, in aggregate, HK$124,797,000 whereby it received interest at variable rates equal to HIBOR on the notional amounts and paid interest at fixed rates ranging between 1.65% and 2.80% for a period of three years. The swap was used to hedge the exposure to variability of cash flows that was attributable to the Group's bank borrowings. The change in fair value of this cash flow hedge net of deferred tax during the year ended 31 March 2011 of HK$293,000 was included in the hedging reserve.

25 Cash and cash equivalents

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**211,746**	367,977	**10,163**	24,420
Time deposits	**569,200**	419,536	**246,765**	33,233
	780,946	787,513	**256,928**	57,653
Less: Pledged time deposits	**(17,321)**	(94,573)	**–**	–
	763,625	692,940	**256,928**	57,653
Less: Time deposits with original maturity over three months	**(123,070)**	–	**–**	–
Cash and cash equivalents	**640,555**	692,940	**256,928**	57,653

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand				
HK$	**61,671**	46,383	**29,374**	23,636
RMB	**383,925**	598,211	**60,180**	33,233
USD	**189,372**	42,785	**167,350**	760
GBP	**548**	4,217	**23**	23
EUR	**4,953**	1,257	**1**	1
Others	**86**	87	**–**	–
	640,555	692,940	**256,928**	57,653

As of 31 March 2012, the pledged time deposits were denominated in RMB. Time deposits of HK$12,291,000 (2011: HK$nil) and HK$5,030,000 (2011: HK$94,573,000) were pledged as collaterals for the issuance of bills payables (Note 26) and the Group's banking facilities (Note 28), respectively.

25 Cash and cash equivalents (Continued)

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Maximum exposure to credit risk on cash and cash equivalents and pledged time deposits	**779,463**	785,749	**256,920**	57,645

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 and time deposits earns interest at floating rates based on prevailing bank deposit rates.

Time deposits with original maturity over three months earn interests at fixed rate 3.50% per annum and will be matured in the next twelve months after the end of the reporting period.

26 Trade and bills payables

	Group	
	2012	2011
	HK$'000	HK$'000
Trade payables	**196,506**	204,331
Bills payables	**27,403**	136
	223,909	204,467

As of 31 March 2012, the bills payables of HK$12,291,000 are secured by the pledged time deposits of HK$12,291,000 (2011: HK$ nil).

26 Trade and bills payables (Continued)

The aging analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
1–30 days	**131,770**	162,963
31–60 days	**50,781**	28,579
61–90 days	**5,713**	9,886
Over 90 days	**8,242**	2,903
	196,506	204,331

As of 31 March 2012 and 31 March 2011, the fair values of the trade and bills payables are approximately their carrying amounts and they are denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
HK$	**29,912**	39,019
USD	**47,700**	31,174
RMB	**146,297**	134,274
	223,909	204,467

27 Other payables and accrued liabilities

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**35,785**	29,523	**439**	1,413
Accrued liabilities	**117,242**	109,621	**2,913**	6,122
	153,027	139,144	**3,352**	7,535
Provision for long service payment	**2,261**	1,531	**113**	50
Provision for annual leave	**1,947**	1,479	**250**	181
	157,235	142,154	**3,715**	7,766

28 Borrowings

	Effective interest rate		Maturity		Group	
	2012	2011	**2012**	2011	**2012**	2011
					HK$'000	HK$'000
Current						
Bank loans – unsecured (Note a)	**1-8%**	1-5%	**2012**	2011	**205,888**	321,630
Bank loans – secured (Note b)	**2-7%**	2-6%	**2012**	2011	**10,709**	78,368
					216,597	399,998
Non-current						
Bank loans – unsecured (Note a)	**1-2%**	4%	**2017**	2013	**313,614**	10,714
					530,211	410,712

Note:

(a) Bank loans amounting to HK$519,502,000 (2011: HK$332,344,000) are secured by the corporate guarantees issued by the Company (Note 37).

(b) The Group's banking facilities amounting to HK$10,709,000 (2011: HK$159,171,000), of which HK$10,709,000 (2011: HK$78,368,000) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's buildings, land use rights and time deposits, which had an aggregate carrying value at the end of the reporting period of approximately HK$101,400,000 (2011: HK$190,702,000) (Notes 14, 15 and 25).

28 Borrowings (Continued)

The fair values of the borrowings approximate their carrying amounts at the end of the reporting period as all the borrowings carry floating rate interests (2011: same).

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

	Group	
	2012	2011
	HK$'000	HK$'000
HK$	**458,542**	326,391
RMB	**41,985**	9,524
USD	**29,684**	74,797
	530,211	410,712

29 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Deferred income tax assets:		
– to be realised after more than 12 months	**14,103**	10,926
Deferred income tax liabilities:		
– to be realised after more than 12 months	**(44,568)**	(46,117)
Deferred income tax liabilities, net	**(30,465)**	(35,191)

29 Deferred income tax (Continued)

The gross movement on the deferred income tax is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**(35,191)**	(29,225)
Credited/(charged) to consolidated income statement (Note 10)	**4,692**	(4,496)
Charged directly to equity	**(58)**	(793)
Exchange differences	**92**	(677)
At 31 March	**(30,465)**	(35,191)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are 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 2010	5,615	15,220	6,266	27,101
(Charged)/credited to consolidated income statement	(1,364)	935	(662)	(1,091)
Charged directly to equity	–	–	(793)	(793)
Exchange differences	80	400	61	541
At 31 March 2011	4,331	16,555	4,872	25,758
(Charged)/credited to consolidated income statement	(322)	1,856	5,962	7,496
Charged directly to equity	–	–	(58)	(58)
Exchange differences	52	534	68	654
At 31 March 2012	4,061	18,945	10,844	33,850

29 Deferred income tax (Continued)

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Withholding tax HK$'000	Fair value changes of available-for-sale financial assets HK$'000	Total HK$'000
At 1 April 2010	53,547	1,868	911	56,326
Charged/(credited) to consolidated income statement	4,574	(258)	(911)	3,405
Exchange differences	1,137	81	–	1,218
At 31 March 2011	59,258	1,691	–	60,949
Charged to consolidated income statement	2,290	514	–	2,804
Exchange differences	1,108	(546)	–	562
At 31 March 2012	62,656	1,659	–	64,315

The Group has tax losses arising in Hong Kong of HK$79,027,000 (2011: HK$87,454,000) and the PRC of HK$112,491,000 (2011: HK$82,964,000), which are available for offsetting against future taxable profits of the companies in which the losses arose. These tax losses are subject to further approval by relevant tax authorities. The tax losses arising in the Hong Kong do not have any expiry date, while those arising in the PRC are due to expire within five years.

Among the tax losses arising in the PRC, tax losses amounting HK$75,778,000 (2011: HK$66,218,000) has been recognised as deferred tax assets of HK$18,945,000 (2011: HK$16,555,000) 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.

Deferred income tax liabilities of HK$6,254,000 (2011: HK$5,741,000) have not been recognised as of 31 March 2012 for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries established in the PRC. Unremitted earnings totalled HK$125,083,000 at 31 March 2012 (2011: HK$114,812,000).

30 Share capital

	2012 Number of shares	2011 Number of shares	**2012 HK$'000**	2011 HK$'000
Authorised ordinary shares of HK$0.10 each	**1,200,000,000**	1,200,000,000	**120,000**	120,000
Issued and fully paid ordinary shares of HK$0.10 each	**907,864,974**	907,864,974	**90,787**	90,787

	Number of shares in issue	**Issued capital** HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 1 April 2010	911,576,974	91,158	1,559,461	1,650,619
Shares repurchased and cancelled (Note)	(3,712,000)	(371)	–	(371)
At 31 March 2011	907,864,974	90,787	1,559,461	1,650,248
At 31 March 2012	907,864,974	90,787	1,559,461	1,650,248

Note:

During the year ended 31 March 2012, the Company did not repurchase any of its own shares.

During the year ended 31 March 2011, the Company repurchased 3,712,000 of its own shares from the open market. The total amount paid to acquire these shares was HK$8,842,000 and was deducted from retained earnings (Note 31). 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$371,000 was transferred from share capital to the other capital reserve.

31 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.

(b) Company

According to the Hong Kong Companies Ordinance, distributable reserves are restricted to accumulated, realised profits (so far as not previously distributed or capitalised) less its accumulated realised losses. As at 31 March 2012, calculated under the Hong Kong Companies Ordinance and with reference to Accounting Bulletin 4 "Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the Hong Kong Companies Ordinance", the Company's distributable reserves amounted to HK$139,805,000 (2011: HK$112,699,000), of which HK$18,157,000 (2011: HK$45,393,000) has been proposed as a final dividend for the year.

31 Reserves (Continued)

(b) Company (Continued)

	Share premium HK$'000	Other capital reserves HK$'000	Hedging reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2010	1,559,461	(5,674)	(830)	3,303	233,996	1,790,256
Comprehensive income						
Profit for the year	-	-	-	-	468,284	468,284
Total comprehensive income	-	-	-	-	468,284	468,284
Share repurchased and cancelled (Note 30)	-	371	-	-	(8,842)	(8,471)
Purchase of shares for restricted share award scheme (Note 32)	-	(1,237)	-	-	-	(1,237)
Equity compensation expenses (Note 32)	-	-	-	7,324	-	7,324
Forfeiture of share awarded (Note 32)	-	-	-	(328)	328	-
Reduction in final 2010 dividend due to repurchase of shares	-	-	-	-	158	158
Recycle upon maturity	-	-	830	-	-	830
Interim 2011 dividend (Note 13)	-	-	-	-	(45,393)	(45,393)
Special interim 2011 dividend (Note 13)	-	-	-	-	(154,337)	(154,337)
Proposed final 2011 dividend (Note 13)	-	-	-	-	(45,393)	(45,393)
At 31 March 2011	1,559,461	(6,540)	-	10,299	448,801	2,012,021

31 Reserves (Continued)

(b) Company (Continued)

	Share premium HK$'000	Other capital reserves HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2011	1,559,461	(6,540)	10,299	448,801	2,012,021
Comprehensive income					
Profit for the year	-	-	-	83,822	83,822
Total comprehensive income	-	-	-	83,822	83,822
Purchase of shares for restricted share award scheme (Note 32)	-	(9,737)	-	-	(9,737)
Equity compensation expenses (Note 32)	-	-	5,077	-	5,077
Forfeiture of share awarded (Note 32)	-	-	(1,654)	1,102	(552)
Shares vested under the restricted share award scheme (Note 32)	-	3,049	(3,049)	-	-
Interim 2012 dividend (Note 13)	-	-	-	(18,157)	(18,157)
Proposed final 2012 dividend (Note 13)	-	-	-	(18,157)	(18,157)
At 31 March 2012	1,559,461	(13,228)	10,673	497,411	2,054,317

32 Restricted share award scheme

The Restricted Share Award Scheme (the "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 Scheme are senior management and directors of the Group.

Under the rules of the Scheme, shares will be awarded to the participants of the Scheme when certain performance target is met and shares will be awarded to the participants on or before 30 June of each financial year. There was no share offered and awarded to the participants in April 2012. In April 2011, a total of 4,084,486 shares were offered and awarded to the participants. The shares granted will be vested to the participants in three equal tranches upon certain vesting conditions are fulfilled. A total of 1,283,985 shares (2011: nil) at a cost of HK$3,049,000 (2011: HK$ nil) were vested during the year. The total number of shares held by the Trustee was 6,442,738 shares (2011: 3,851,969 shares).

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 payments of HK$5,077,000 (2011: HK$7,324,000) has been recognised in the consolidated income statement as employee benefit expenses (Notes 8 and 9).

Shares awarded amounted to HK$1,654,000 (2011: HK$328,000) has been forfeited during the year, and HK$1,654,000 (2011: HK$328,000) was transferred from equity compensation reserve to retained earnings accordingly.

Movement in the number of shares awarded and their related average fair value is as follows:

	2012		2011	
	Average fair value per share	**Number of shares awarded**	Average fair value per share	Number of shares awarded
At 1 April		**7,726,723**		3,851,969
Awarded	–	–	3.13	4,084,486
Forfeited	**2.85**	**(1,528,003)**	2.37	(209,732)
Vested	**2.37**	**(1,283,985)**	–	–
At 31 March		**4,914,735**		7,726,723

32 Restricted share award scheme (Continued)

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

	Number of shares
At 1 April 2011	3,851,969
Shares purchased by the Trustee from the market during the year	3,874,754
Shares vested during the year	(1,283,985)
At 31 March 2012	6,442,738

The total consideration paid for the purchase of 3,874,754 shares (2011: 517,969 shares) was HK$9,737,000 (2011: HK$1,237,000).

33 Deemed disposal of associates

There was no deemed disposal of associates during the year ended 31 March 2012.

In December 2010, the board of Zhongshan Rengo and Zhongshan Ren Hing collectively referred to as the "Paper Mill Entities" agreed with the existing shareholders, with the exception of the Group, of Paper Mill Entities, to inject a total of US$37.5 million (approximately HK$291 million) cash as additional capital contributions ("Capital Injection") to the Paper Mill Entities.

As a result, the effective interest held by the Group in the Paper Mill Entities was reduced from 30.94% to 16.62%. This transaction was considered a deemed disposal given the Group's interests in the Paper Mill Entities were diluted through additional capital contributions by the other shareholders.

A gain on deemed disposal of HK$52,178,000 was recognised in the consolidated income statement for the year ended 31 March 2011.

	2011 HK$'000
Carrying value of the Group's investments in the Paper Mill Entities	
After Capital Injection	56,354
Prior to Capital Injection	(14,906)
	41,448
Realisation of exchange fluctuation reserve upon deemed disposal of partial interests in associates	10,730
Gain on deemed disposal	52,178

34 Amounts due from/(to) subsidiaries and associates

(a) Amounts due from/(to) subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Due from subsidiaries	**1,567,969**	1,853,457
Provision for impairment	**(1,353)**	(1,353)
	1,566,616	1,852,104
Due to a subsidiary	**–**	(57,287)
	1,566,616	1,794,817

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

The carrying amounts of these amounts due from/(to) subsidiaries are approximately their fair values.

(b) Amounts due from/(to) associates

	Group	
	2012	2011
	HK$'000	HK$'000
Amounts due from associates	**5,024**	4,524
Amounts due to associates	**(4,540)**	(4,489)
	484	35

The balances with associates are unsecured, interest-free and repayable on demand.

The carrying amounts of these amounts due from/(to) associates are approximately their fair values.

35 Related party transactions

(a) Transactions with related parties

In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

	Note	2012 HK$'000	2011 HK$'000
Sales of raw materials to associates	(i)	**31,636**	25,865
Purchases of raw materials from associates	(i)	**78,948**	78,065
Rental income from associates	(i)	**625**	169
Advisory fee paid to companies of which a former non-executive director of the Company is a controlling shareholder	(ii)	**57**	844
Service fees paid to substantial shareholders	(iii)	**415**	150

Note:

(i) The transactions with associates were carried out in the normal course of business of the Group and on terms as agreed with the associates.

(ii) The advisory fee paid was charged based on a mutually agreed basis.

(iii) The service fees were payable respectively to Asia Packaging Company Limited and Rengo Co., Ltd., both are substantial shareholders of the Company. The service fees were charged on a mutually agreed basis.

(b) Outstanding balances with related parties

Save as disclosed in Notes 19 and 34, there were no outstanding balances with related parties as at 31 March 2012 (2011: Nil).

(c) Compensation of key management personnel of the Group

	2012 HK$'000	2011 HK$'000
Short-term employment benefits	**26,063**	29,802
Post-employment benefits	**554**	537
	26,617	30,339

36 Cash generated from operations

(a) Cash flow from operating activities

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before income tax		**45,495**	197,109
Adjustments for:			
Finance costs		**10,973**	10,341
Share of losses of associates	20	**16,423**	15,616
Bank interest income		**(11,306)**	(7,502)
Dividend income from available-for-sale financial assets	5	**(347)**	(347)
Gain on disposal of intangible assets	5	**–**	(511)
Restricted share award scheme expenses	32	**5,077**	7,324
Reversal of provision for impairment of available-for-sale financial assets		**–**	(146)
Fair value gain on derivative financial instruments not qualified as hedges, net	5	**(1,275)**	(5,347)
Fair value loss on foreign currency contracts		**1,683**	97
Gain on deemed disposal of associates	33	**–**	(52,178)
Depreciation of property, plant and equipment	14	**111,981**	107,618
Amortisation of land use rights	15	**3,173**	3,183
Amortisation of intangible assets	16	**849**	827
Provision for impairment of trade receivables	6	**1,344**	3,979
Provision for impairment of inventories	6	**16,427**	72
Loss on disposals of property, plant and equipment	6	**7,366**	5,189
		207,863	285,324
Increase in inventories		**(45,251)**	(26,484)
Increase in trade and bills receivables		**(90,401)**	(38,110)
(Increase)/decrease in prepayments, deposits and other receivables		**(25,112)**	2,043
(Increase)/decrease in amounts due from associates		**(449)**	15,348
Increase in trade and bills payables		**19,442**	37,887
Increase in other payables and accrued liabilities		**13,957**	12,670
Cash generated from operations		**80,049**	288,678

36 Cash generated from operations (Continued)

(b) Non-cash transactions

For the year ended 31 March 2012, there is no significant non-cash transaction.

For the year ended 31 March 2011, the principal non-cash transaction is the gain on deemed disposal of associates of HK$52,178,000 as disclosed in Note 33.

37 Contingent liabilities

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries and associates of the Company	**26,208**	46,224	**2,022,698**	1,758,382
Amount of banking facilities guaranteed by the Company and utilised by subsidiaries and associates of the Company	**26,208**	46,224	**816,322**	614,568

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

38 Operating lease commitments

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

At the end of the reporting period, the Group and the Company had total future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**5,230**	4,785	**1,092**	360
Later than one year and not later than five years	**10,470**	11,615	**363**	300
Later than five years	**71,357**	68,103	–	–
	87,057	84,503	**1,455**	660

39 Commitments

In addition to the operating lease commitments detailed in Note 38 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted for, but not provided for:		
Land and buildings	–	8,255
Plant and machinery	**18,673**	64,418
Furniture, fixtures and equipment	–	1,246
	18,673	73,919
Authorised but not contracted for	–	–

40 Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

2012

Assets per consolidated statement of financial position

	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 (Note 17)	–	–	8,034	8,034
Trade and bills receivables (Note 22)	–	647,950	–	647,950
Other receivables (Note 23)	–	6,588	–	6,588
Derivative financial instruments (Note 24)	253	–	–	253
Amounts due from associates (Note 34(b))	–	5,024	–	5,024
Pledged time deposits (Note 25)	–	17,321	–	17,321
Cash and cash equivalents (Note 25)	–	763,625	–	763,625
	253	1,440,508	8,034	1,448,795

40 Financial instruments by category (Continued)

Group

2012

Liabilities per consolidated statement of financial position

	Liabilities at fair value through profit or loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables (Note 26)	–	223,909	223,909
Other payables and accrued liabilities (Note 27)	–	157,235	157,235
Amounts due to associates (Note 34(b))	–	4,540	4,540
Borrowings (Note 28)	–	530,211	530,211
	–	915,895	915,895

40 Financial instruments by category (Continued)

Group

2011

Assets per consolidated statement of financial position

	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 (Note 17)	–	–	8,653	8,653
Trade and bills receivables (Note 22)	–	558,893	–	558,893
Other receivables (Note 23)	–	6,880	–	6,880
Derivative financial instruments (Note 24)	1,844	–	–	1,844
Amounts due from associates (Note 34(b))	–	4,524	–	4,524
Pledged time deposits (Note 25)	–	94,573	–	94,573
Cash and cash equivalents (Note 25)	–	692,940	–	692,940
	1,844	1,357,810	8,653	1,368,307

40 Financial instruments by category (Continued)

Group

2011

Liabilities per consolidated statement of financial position

	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 (Note 26)	–	–	204,467	204,467
Other payables and accrued liabilities (Note 27)	–	–	142,154	142,154
Derivative financial instruments (Note 24)	383	440	–	823
Borrowings (Note 28)	–	–	410,712	410,712
Amount due to an associate (Note 34(b))	–	–	4,489	4,489
	383	440	761,822	762,645

40 Financial instruments by category (Continued)

Company

2012

Assets per statement of financial position

	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 (Note 17)	–	–	566	566
Other receivables (Note 23)	–	422	–	422
Derivative financial instruments (Note 24)	253	–	–	253
Loan to a subsidiary (Note 19)	–	40,000	–	40,000
Amounts due from subsidiaries (Note 34(a))	–	1,566,616	–	1,566,616
Cash and cash equivalents (Note 25)	–	256,928	–	256,928
	253	1,863,966	566	1,864,785

Company

2012

Liabilities per statement of financial position

	Other financial liabilities at amortised cost HK$'000
Other payables and accrued liabilities (Note 27)	3,715

40 Financial instruments by category (Continued)

2011

Assets per statement of financial position

	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 (Note 17)	–	–	566	566
Other receivables (Note 23)	–	266	–	266
Derivative financial instruments (Note 24)	425	–	–	425
Loan to a subsidiary (Note 19)	–	55,000	–	55,000
Amounts due from subsidiaries (Note 34(a))	–	1,852,104	–	1,852,104
Cash and cash equivalents (Note 25)	–	57,653	–	57,653
	425	1,965,023	566	1,966,014

Liabilities per statement of financial position

	Other financial liabilities at amortised cost HK$'000
Other payables and accrued liabilities (Note 27)	7,766
Amount due to a subsidiary (Note 34(a))	57,287
	65,053

41 Financial risk management

41.1 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, amounts due to associates, 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 2.12 to the financial statements.

(a) Interest rate risk

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 2012, the Group did not enter any interest rate swaps arrangement. At 31 March 2011, the Group had approximately 24% of bank borrowings which effectively bore fixed interest rates as a result of interest rate swaps.

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

41.1 Financial risk factors (Continued)

(a) Interest rate risk (Continued)

		Group		Company	
	Increase/ (decrease) in basis point	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity-hedging reserve, before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity-hedging reserve, before tax
		HK$'000	HK$'000	HK$'000	HK$'000
2012					
Hong Kong dollar	**50**	**520**	-	**1,234**	-
Hong Kong dollar	**(50)**	**(520)**	-	**(1,234)**	-
2011					
Hong Kong dollar	50	1,048	28	746	-
Hong Kong dollar	(50)	(1,048)	(28)	(746)	-

(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 USD.

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.

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 currency contracts must be in the same currency as the hedged item.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD 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).

41.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

2012

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 HK$'000	Company HK$'000	Group %	Company %	Group HK$'000	Company HK$'000
USD	**0.5**	**0.5**	**2,048**	**837**	**(0.5)**	**(0.5)**	**(2,048)**	**(837)**
RMB	**2.0**	**2.0**	**8,561**	**2,701**	**(2.0)**	**(2.0)**	**(8,561)**	**(2,701)**

2011

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 HK$'000	Company HK$'000	Group %	Company %	Group HK$'000	Company HK$'000
USD	0.5	0.5	908	4	(0.5)	(0.5)	(908)	(4)
RMB	2.0	2.0	10,662	665	(2.0)	(2.0)	(10,662)	(665)

(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 22 to the financial statements.

41.1 Financial risk factors (Continued)

(d) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position 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 following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

41.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

Group

	2012			
	Maturity analysis – Undiscounted cash flow			
	Less than 1 year HK$'000	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Total HK$'000**
Borrowings, including interest payable	**216,597**	**114,084**	**209,876**	**540,557**
Trade and bills payables	**223,909**	**–**	**–**	**223,909**
Other payables and accrued liabilities	**157,235**	**–**	**–**	**157,235**
Financial guarantees given to associates	**26,208**	**–**	**–**	**26,208**
Amounts due to associates	**4,540**	**–**	**–**	**4,540**
	628,489	**114,084**	**209,876**	**952,449**

	2011			
	Maturity analysis – Undiscounted cash flow			
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Borrowings, including interest payable	400,538	10,917	–	411,455
Trade and bills payables	204,467	–	–	204,467
Other payables and accrued liabilities	142,154	–	–	142,154
Derivative financial instruments	823	–	–	823
Financial guarantees given to associates	46,224	–	–	46,224
Amount due to an associate	4,489	–	–	4,489
	798,695	10,917	–	809,612

41.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

Company

	2012			
	Maturity analysis – Undiscounted cash flow			
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Other payables and accrued liabilities	**3,715**	**–**	**–**	**3,715**
Financial guarantees given to subsidiaries and associates	**1,709,085**	**107,346**	**206,267**	**2,022,698**
	1,712,800	**107,346**	**206,267**	**2,026,413**

	2011			
	Maturity analysis – Undiscounted cash flow			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accrued liabilities	7,766	–	–	7,766
Financial guarantees given to subsidiaries and associates	1,747,668	10,714	–	1,758,382
	1,755,434	10,714	–	1,766,148

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

41.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

	Maturity analysis – Term loans subject to a repayment on demand clause based on scheduled repayments		
	Less than 1 year	**Between 1 and 5 years**	**Total undiscounted cash outflows**
	HK$'000	HK$'000	HK$'000
At 31 March 2012	38,000	–	38,000
At 31 March 2011	134,168	54,330	188,498

41.2 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 net debt gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (i.e. current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and pledged time deposits.

During the year, the Group's strategy was to maintain the net debt gearing ratio below 30%. As at 31 March 2012 and 31 March 2011, the Group had net cash position as follows:

	As at 31 March	
	2012	2011
	HK$'000	HK$'000
Cash and cash equivalents and pledged time deposits (Note 25)	**780,946**	787,513
Total borrowings (Note 28)	**(530,211)**	(410,712)
Net cash	**250,735**	376,801

As the Group had a net cash position, the net debt gearing ratio as at 31 March 2012 was nil (2011: nil).

41.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 that are measured at fair value at 31 March 2012 and 31 March 2011:

2012

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Available-for-sale financial assets				
– Listed equity investments	**7,388**	–	–	**7,388**
– Club debentures	–	–	**566**	**566**
Derivative financial instruments	–	–	**253**	**253**
Total assets	**7,388**	–	**819**	**8,207**

2011

	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
– Club debentures	–	–	566	566
Derivative financial instruments	–	–	1,844	1,844
Total assets	7,990	–	2,410	10,400
Liabilities				
Derivative financial instruments	–	–	823	823
Total liabilities	–	–	823	823

41.3 Fair value estimation (Continued)

The fair value of club debentures is determined with reference to quoted market prices at the end of the reporting period 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 the end of each reporting period.

The following table presents the changes in level 3 instruments for the years ended 31 March 2012 and 2011:

2012

	Club debentures HK$'000	**Derivative financial instruments HK$'000**	**Total HK$'000**
Opening balance	**566**	**1,021**	**1,587**
Gains recognised in consolidated income statement	–	**1,275**	**1,275**
Retired on maturity	–	**(2,043)**	**(2,043)**
Closing balance	**566**	**253**	**819**
Total gains for the year included in profit or loss for assets held at the end of the reporting period	–	**1,275**	**1,275**

2011

	Club debentures HK$'000	Derivative financial instruments HK$'000	Total HK$'000
Opening balance	420	(7,659)	(7,239)
Recognised in hedging reserve	–	(351)	(351)
Gains recognised in consolidated income statement	146	5,258	5,404
Retired on maturity	–	3,773	3,773
Closing balance	566	1,021	1,587
Total gains for the year included in profit or loss for assets/(liabilities) held at the end of the reporting period	146	5,258	5,404

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