

Notes to the Financial Statements

31 March 2004

1. CORPORATE INFORMATION

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

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

- Printing and manufacturing of paper and carton boxes
- Trading of paper
- Manufacturing of corrugated cartons

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements, which prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward or unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- Deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and
- A deferred tax asset has been recognised in respect of provision for doubtful debts, provision for long service payments and accrued paid leave carried forward.

Disclosures:

- Deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were disclosed on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in note 10 and note 25 to the financial statements and include a reconciliation between accounting profit and the tax expense for the year.

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2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") (continued)

Further details of these changes and the prior year adjustment arising from them are included in the accounting policy for deferred tax in note 3 and note 25 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Subsidiaries

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

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

Associates

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

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

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

Negative goodwill

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

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

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

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at the revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

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

Fixed assets and depreciation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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

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

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

Land use rights

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

Properties under construction

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

Operating leases

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

Long term investments

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long term investments (continued)

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

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

Inventories

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

Accounts receivable

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

Cash and cash equivalents

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective rate of interest applicable; and
- (c) dividends, when the shareholders' right to receive payment has been established.

Dividends

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

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

Employee benefits

Paid leave carried forward

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

Employment Ordinance long service payments

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments (continued)

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

Staff retirement schemes

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

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

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

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

Income tax

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carryforward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Foreign currencies

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Related parties

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

4. SEGMENT INFORMATION

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

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

- (a) the paper and carton box printing and manufacturing segment;
- (b) the paper trading segment;
- (c) the corrugated carton manufacturing segment; and
- (d) the "others" segment, which principally comprises the Group's investment in associates.

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

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

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)											
Segment revenue:												
Sales to external customers	1,304,781	1,112,078	251,929	267,608	472,210	438,647	—	—	—	—	2,028,920	1,818,333
Intersegment sales	4,977	1,777	465,532	410,885	93,510	71,011	—	—	(564,019)	(483,673)	—	—
Total	1,309,758	1,113,855	717,461	678,493	565,720	509,658	—	—	(564,019)	(483,673)	2,028,920	1,818,333
Segment results	273,610	239,099	44,937	34,964	27,370	41,063	—	—	(1,366)	286	344,551	315,412
Interest, dividend income and other gains											11,341	9,693
Corporate and unallocated expenses											(19,275)	(19,686)
Profit from operating activities											336,617	305,419
Finance costs											(5,551)	(6,119)
Share of profits and losses of associates	—	—	—	—	—	—	9,122	9,736	—	—	9,122	9,736
Profit before tax											340,188	309,036
Tax											(55,204)	(44,794)
Profit before minority interests											284,984	264,242
Minority interests											(20,242)	(20,711)
Net profit attributable to shareholders											264,742	243,531
Segment assets	1,103,759	903,334	376,878	299,670	670,661	549,670	—	—	(183,403)	(104,348)	1,967,895	1,648,326
Interests in associates	—	—	—	—	—	—	195,696	180,570	—	—	195,696	180,570
Unallocated assets	—	—	—	—	—	—	—	—	—	—	313,296	330,810
Total assets	1,103,759	903,334	376,878	299,670	670,661	549,670	195,696	180,570	(183,403)	(104,348)	2,476,887	2,159,706
Segment liabilities	227,693	145,038	24,189	18,493	106,858	80,915	—	—	(183,403)	(104,348)	175,337	140,098
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	410,213	233,438
Total liabilities	227,693	145,038	24,189	18,493	106,858	80,915	—	—	(183,403)	(104,348)	585,550	373,536
Other segment information:												
Depreciation and amortisation	48,066	44,836	234	282	22,049	19,406	280	361	—	—	70,629	64,885
Capital expenditure	107,850	29,410	965	19,436	26,537	28,609	—	170	—	—	135,352	77,625
Provision for bad and doubtful debts	5,270	2,705	—	1,000	1,370	705	—	—	—	—	6,640	4,410

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

	Hong Kong		Mainland China		United States of America		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)		(Restated)						(Restated)	
Segment revenue:										
Sales to external customers	1,078,846	1,021,901	435,688	374,175	281,139	229,035	233,247	193,222	2,028,920	1,818,333
Other segment information:										
Segment assets	513,912	732,799	1,846,303	1,335,273	53,468	42,659	63,204	48,975	2,476,887	2,159,706
Capital expenditure	1,215	2,046	134,137	75,579	—	—	—	—	135,352	77,625

5. TURNOVER, OTHER REVENUE AND GAINS

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

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Turnover – sale of goods	2,028,920	1,818,333
Other revenue and gains:		
Dividend income from listed equity investments	258	258
Interest income	9,924	9,435
Unrealised gains on listed investments	1,159	—
Sundry income	12,315	6,733
	23,656	16,426
Total revenue	2,052,576	1,834,759

6. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Depreciation	70,629	64,885
Auditors' remuneration	1,679	1,466
Staff costs (including directors' remuneration – note 7):		
Wages, salaries and other allowances	281,911	249,924
Retirement scheme contributions	2,877	2,914
Less: Forfeited contributions*	(94)	(534)
Net retirement scheme contributions	2,783	2,380
Total staff costs	284,694	252,304
Minimum lease payments under operating leases		
in respect of land and buildings	3,998	5,229
Provision for bad and doubtful debts	6,640	4,410
Loss on disposal of fixed assets	481	911
Impairment of an unlisted investment	–	7
Exchange gain, net	(4,202)	(1,724)

* At 31 March 2004, the Group had no forfeited contributions available to reduce its contributions to the retirement scheme in future years (2003: Nil).

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7. DIRECTORS' REMUNERATION

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

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	—	—
Non-executive directors*	270	281
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	12,979	14,311
Retirement scheme contributions	422	513
Discretionary bonuses paid and payable	13,940	13,661
	<u>27,611</u>	<u>28,766</u>

* Fees include HK\$190,000 (2003: HK\$190,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2003: Nil).

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

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	4	5
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$5,500,001 – HK\$6,000,000	—	1
HK\$7,500,001 – HK\$8,000,000	—	1
HK\$8,500,001 – HK\$9,000,000	1	—
HK\$11,000,001 – HK\$11,500,000	—	1
HK\$11,500,001 – HK\$12,000,000	1	—
	<u>8</u>	<u>9</u>

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

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2003: four) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining one (2003: one) non-director, highest paid employee for the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries, allowances and benefits in kind	1,140	1,140
Retirement scheme contributions	46	46
Discretionary bonuses paid and payable	2,664	1,819
	<u>3,850</u>	<u>3,005</u>

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

	Number of employees	
	2004	2003
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–
	<u>1</u>	<u>1</u>

9. FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest on bank loans	<u>5,551</u>	<u>6,119</u>

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group and the associates operate, based on existing legislation, interpretations and practices in respect thereof.

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10. TAX (continued)

	2004 HK\$'000	2003 HK\$'000
		(Restated)
Group:		
Current – Hong Kong		
– Charge for the year	21,244	12,017
– Underprovision/(overprovision) in prior years	(1,507)	8,143
Current – Mainland China		
– Charge for the year	32,470	21,708
Deferred tax (note 25)	2,446	1,634
	<u>54,653</u>	43,502
Share of tax attributable to associates:		
Mainland China	551	1,292
	<u>55,204</u>	44,794

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries, and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

	2004					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>125,606</u>		<u>214,582</u>		<u>340,188</u>	
Tax at the statutory tax rate	21,981	17.5	70,812	33.0	92,793	27.3
Lower tax rate for local authority *	–	–	(34,710)	(16.2)	(34,710)	(10.2)
Profits not subject to tax, due to concessions **	–	–	(683)	(0.3)	(683)	(0.2)
Effect on deferred tax of increase in rates	–	–	(51)	–	(51)	–
Adjustment in respect of current tax of previous period	(1,507)	(1.2)	(956)	(0.4)	(2,463)	(0.7)
Income not subject to tax	(1,747)	(1.4)	(175)	(0.1)	(1,922)	(0.6)
Expenses not deductible for tax	651	0.5	1,134	0.5	1,785	0.5
Tax losses not recognised	455	0.4	–	–	455	0.1
	<u>19,833</u>	15.8	<u>35,371</u>	16.5	<u>55,204</u>	16.2
Tax charge at the Group's effective rate						

10. TAX (continued)

Group

	2003					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>69,050</u>		<u>239,986</u>		<u>309,036</u>	
Tax at the statutory tax rate	11,048	16.0	79,195	33.0	90,243	29.2
Lower tax rate for local authority *	—	—	(37,491)	(15.6)	(37,491)	(12.1)
Profits not subject to tax, due to concessions **	—	—	(16,570)	(6.9)	(16,570)	(5.3)
Effect on deferred tax of increase in rates	236	0.3	349	0.2	585	0.2
Adjustment in respect of current tax of previous period	8,143	11.8	—	—	8,143	2.6
Income not subject to tax	(1,639)	(2.4)	(218)	(0.1)	(1,857)	(0.6)
Expenses not deductible for tax	385	0.6	316	0.1	701	0.2
Tax losses not recognised	<u>1,040</u>	1.5	—	—	<u>1,040</u>	0.3
Tax charge at the Group's effective rate	<u>19,213</u>	27.8	<u>25,581</u>	10.7	<u>44,794</u>	14.5

* Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at rate of 33%. However, certain of the Group's subsidiaries are operating in specific development zones in Mainland China, and the relevant authorities have granted these subsidiaries preferential CIT rates ranging from 15% to 27%.

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

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company is HK\$170,456,000 (2003: HK\$127,070,000) (note 27(b)).

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12. DIVIDENDS

	2004	2003
	HK\$'000	HK\$'000
Interim dividend of HK9.5 cents (2003: HK9.5 cents) per ordinary share	54,341	54,341
Proposed final dividend of HK20.0 cents (2003: HK19.0 cents) per ordinary share	<u>114,401</u>	<u>108,681</u>
	<u>168,742</u>	<u>163,022</u>

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

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$264,742,000 (2003 (restated): HK\$243,531,000) and the weighted average of 572,006,798 (2003: 572,006,798) shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share amounts for the years ended 31 March 2004 and 2003 have not been presented as there were no dilutive potential ordinary shares in existence during these years.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost:					
At beginning of year	399,566	785,809	26,823	58,607	1,270,805
Additions	2,665	126,332	3,338	3,017	135,352
Transfer from properties under construction (note 16)	63,088	–	–	–	63,088
Disposals	–	(1,099)	(2,379)	(1,789)	(5,267)
At 31 March 2004	465,319	911,042	27,782	59,835	1,463,978
Accumulated depreciation:					
At beginning of year	59,255	330,735	18,584	31,365	439,939
Provided during the year	10,780	51,306	2,736	5,807	70,629
Disposals	–	(703)	(1,666)	(1,550)	(3,919)
At 31 March 2004	70,035	381,338	19,654	35,622	506,649
Net book value:					
At 31 March 2004	395,284	529,704	8,128	24,213	957,329
At 31 March 2003	340,311	455,074	8,239	27,242	830,866

Certain leasehold land and buildings of the Group's subsidiaries with a total net book value of HK\$55,146,000 (2003: HK\$56,209,000) have been pledged to a bank to secure a short term banking facility (note 24).

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14. FIXED ASSETS (continued)

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

	2004	2003
	HK\$'000	HK\$'000
Hong Kong – medium term leases	107,119	106,824
Mainland China, under land use rights valid for:		
50 years from 28 May 1992	75,646	75,646
30 years from 17 December 1996	85,596	85,596
50 years from 24 March 1997	98,497	98,218
50 years from 30 March 2002	72,697	13,855
50 years from 2 December 2002 *	19,427	19,427
45 years from 1 December 2003	6,337	–
	<u>465,319</u>	<u>399,566</u>

* In the prior year, the Group acquired from independent third parties a land plot situated in Mainland China for a total consideration of HK\$19,427,000 which had been fully settled by the Group as at 31 March 2004. The relevant process for accomplishing the Group's titles and interests in the land was still in progress as at 31 March 2004.

14. FIXED ASSETS (continued)

Company

	Leasehold land and buildings HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost:				
At beginning of year	14,981	4,704	791	20,476
Disposals	—	—	(43)	(43)
At 31 March 2004	14,981	4,704	748	20,433
Accumulated depreciation:				
At beginning of year	1,748	3,878	648	6,274
Provided during the year	559	248	31	838
Disposals	—	—	(41)	(41)
At 31 March 2004	2,307	4,126	638	7,071
Net book value:				
At 31 March 2004	12,674	578	110	13,362
At 31 March 2003	13,233	826	143	14,202

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

Notes to the Financial Statements

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15. LONG TERM INVESTMENTS

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted equity investments, at fair value	86	86	—	—
Club debentures, at fair value	1,362	1,362	802	802
	1,448	1,448	802	802
Hong Kong listed equity investments, at market value	5,377	4,218	—	—
	6,825	5,666	802	802

16. PROPERTIES UNDER CONSTRUCTION

	Group	
	2004	2003
	HK\$'000	HK\$'000
At beginning of year	46,399	15,204
Additions	57,980	47,101
Transfer to fixed assets (note 14)	(63,088)	(15,906)
At 31 March	41,291	46,399

The properties under construction are located in Mainland China.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	120,813	156,595
Due from subsidiaries	487,710	318,037
Due to subsidiaries	<u>(60,549)</u>	<u>(125,232)</u>
	547,974	349,400
Less: Provision against an amount due from a subsidiary	<u>(1,353)</u>	<u>(1,353)</u>
	<u>546,621</u>	<u>348,047</u>

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

Particulars of the principal subsidiaries are as follows:

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

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17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hung Hing International Limited	British Virgin Islands	US\$100	100	—	Investment holding
South Gain Enterprises Limited	Hong Kong	HK\$1,000,000	—	56	Selling and purchasing agent
Po Hing Packaging (Shenzhen) Company Limited * S\$	Mainland China	US\$11,200,000	—	100	Printing and manufacturing of paper cartons
South Gain Paper Products Company Limited # S\$	Mainland China	US\$5,000,000	—	56	Not yet commenced operations
Sun Hing Paper (Shenzhen) Company Limited * S\$	Mainland China	HK\$30,000,000	—	100	Paper trading
Hung Hing Packaging (Wuxi) Company Limited * S\$	Mainland China	US\$24,000,000	100	—	Production and colour printing of paper products

S Sino-foreign equity joint venture

S\$ Wholly foreign-owned enterprise

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

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

* The financial statements of these subsidiaries for the year ended 31 December 2003 have been audited by Ernst & Young. The results of these subsidiaries have been consolidated into the Group's financial statements for the year ended 31 March 2004 based on the audited financial statements for the year ended 31 December 2003 and their unaudited management accounts for the three months ended 31 March 2004.

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

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	—	—	118,213	118,213
Share of net assets other than goodwill	137,557	137,022	—	—
	137,557	137,022	118,213	118,213

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

Particulars of the associates are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group		Principal activity
			2004	2003	
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Corporate	Mainland China	35	35	Manufacturing of paper
Zhongshan Ren Hing Paper Manufacturing Company Limited	Corporate	Mainland China	35	35	Manufacturing of paper

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

19. DUE FROM/TO ASSOCIATES

The Group's amounts due from associates are unsecured, bear interest at prime rate for balances due over one month (2003: prime rate for balances due over one month) and have no fixed terms of repayment.

The Company's amount due to an associate was unsecured, interest-free and was fully repaid during the year.

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20. INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	327,886	250,275
Work in progress	31,203	29,242
Finished goods	41,909	29,938
	<u>400,998</u>	<u>309,455</u>

As at 31 March 2004, there were no inventories stated at net realisable value (2003: Nil).

21. ACCOUNTS RECEIVABLE

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within 30 days	162,752	148,999
Between 31 and 60 days	125,840	107,494
Between 61 and 90 days	43,836	57,986
Over 90 days	74,716	71,851
	<u>407,144</u>	<u>386,330</u>

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

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	145,331	69,016	7,022	716
Time deposits	292,044	315,809	107,621	315,805
	437,375	384,825	114,643	316,521

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$244,391,000 (2003: HK\$50,497,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. ACCOUNTS PAYABLE

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within 30 days	54,952	42,745
Between 31 and 60 days	25,352	18,917
Between 61 and 90 days	2,263	2,595
Over 90 days	4,607	2,310
	87,174	66,567

Notes to the Financial Statements

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24. INTEREST-BEARING BANK LOANS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Bank loans:		
Secured	—	4,717
Unsecured	322,792	148,792
Trust receipt loans	18,095	31,106
	<u>340,887</u>	<u>184,615</u>
Short term bank loans and trust receipt loans repayable within one year	<u>100,887</u>	74,615
Long term bank loans repayable:		
Within one year	10,000	20,000
In the second year	20,000	20,000
In the third to fifth years, inclusive	210,000	70,000
	<u>240,000</u>	<u>110,000</u>
Portion classified as current liabilities	<u>(110,887)</u>	<u>(94,615)</u>
Long term portion	<u>230,000</u>	90,000

As at 31 March 2004, a banking facility of HK\$37,736,000 (2003: HK\$37,736,000) is secured by pledge of certain leasehold land and buildings of the Group's subsidiaries (note 14). The banking facility was not utilised as at balance sheet date (2003: HK\$4,717,000).

25. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation HK\$'000	Provision for doubtful debts HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2002:				
As previously reported	953	–	–	953
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	13,157	(2,112)	–	11,045
As restated	14,110	(2,112)	–	11,998
Deferred tax charged/(credited) to the profit and loss account during the year, including a charge of HK\$873,000 due to the effect of change in tax rates (note 10)	3,904	(1,061)	(662)	2,181
At 31 March 2003	18,014	(3,173)	(662)	14,179
At 1 April 2003:				
As previously reported	1,043	–	–	1,043
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	16,971	(3,173)	(662)	13,136
As restated	18,014	(3,173)	(662)	14,179
Deferred tax charged/(credited) to the profit and loss account during the year (note 10)	1,597	925	(73)	2,449
At 31 March 2004	19,611	(2,248)	(735)	16,628

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25. DEFERRED TAX (continued)

Deferred tax assets

Group

	Accelerated tax depreciation HK\$'000	Provision for doubtful debts HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2002:				
As previously reported	—	—	—	—
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	679	(2,516)	—	(1,837)
As restated	679	(2,516)	—	(1,837)
Deferred tax charged/(credited) to the profit and loss account during the year, including a credit of HK\$288,000 due to the effect of change in tax rates (note 10)	(591)	395	(351)	(547)
At 31 March 2003	88	(2,121)	(351)	(2,384)
At 1 April 2003:				
As previously reported	—	—	—	—
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	88	(2,121)	(351)	(2,384)
As restated	88	(2,121)	(351)	(2,384)
Deferred tax charged/(credited) to the profit and loss account during the year, including a credit of HK\$51,000 due to the effect of a change in tax rate (note 10)	70	93	(166)	(3)
At 31 March 2004	158	(2,028)	(517)	(2,387)

25. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of HK\$9,345,000 (2003: HK\$6,502,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2004, there is no unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted.

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

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax liability as at 31 March 2004 and 2003 by HK\$15,585,000 and HK\$13,136,000, respectively, and an increase in deferred tax asset as at 31 March 2004 and 2003 by HK\$2,387,000 and HK\$2,384,000, respectively. As a consequence, the consolidated net profits attributable to shareholders for the years ended 31 March 2004 and 2003 have been decreased by HK\$1,872,000 and HK\$995,000, respectively, and the consolidated retained profits at 1 April 2003 and 2002 have been decreased by HK\$8,705,000 and HK\$7,710,000, respectively, as detailed in the consolidated statement of changes in equity.

Deferred tax liabilities/(assets)

Company

	Accelerated tax depreciation HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2002 and 2003	121	—	121
Deferred tax credited to the profit and loss account during the year	(29)	(212)	(241)
At 31 March 2004	92	(212)	(120)

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26. SHARE CAPITAL

	2004	2003	2004	2003
	Number	Number	HK\$'000	HK\$'000
	of shares	of shares		
Authorised ordinary shares of HK\$0.10 each	<u>800,000,000</u>	800,000,000	<u>80,000</u>	80,000
Issued and fully paid ordinary shares of HK\$0.10 each	<u>572,006,798</u>	572,006,798	<u>57,200</u>	57,200

27. RESERVES

(a) Group

- (i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.
- (ii) The Group's legal reserves are statutory reserves for foreign investment enterprises operating in Mainland China. The transfers to these reserves are determined by the board of directors of the relevant subsidiaries and the use thereof is governed by the relevant laws and regulations of Mainland China.
- (iii) The amounts of goodwill and negative goodwill remaining in the Group's capital reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, were HK\$814,000 and HK\$105,103,000, respectively, as at 1 April 2003 and 31 March 2004. The amount of goodwill is stated at its cost.

27. RESERVES (continued)

(b) Company

	<i>Note</i>	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2002		590,690	966	70,521	662,177
Net profit for the year		—	—	127,070	127,070
Interim 2003 dividend	12	—	—	(54,341)	(54,341)
Proposed final 2003 dividend	12	—	—	(108,681)	(108,681)
At 31 March 2003 and 1 April 2003		590,690	966	34,569	626,225
Net profit for the year		—	—	170,456	170,456
Interim 2004 dividend	12	—	—	(54,341)	(54,341)
Proposed final 2004 dividend	12	—	—	(114,401)	(114,401)
At 31 March 2004		590,690	966	36,283	627,939

28. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	<i>Notes</i>	Group 2004 HK\$'000	2003 HK\$'000
Sales to associates	<i>(i)</i>	249,982	141,866
Purchases from associates	<i>(i)</i>	90,717	42,308
Rentals paid to Perla City Investments Limited, a company beneficially owned by Mr. Yum Chak Ming, Matthew	<i>(ii)</i>	480	600
Rentals paid to Gaintek Holdings Limited, a company beneficially owned by Mr. Yam Hon Ming, Tommy	<i>(ii)</i>	840	840
Interest income received from associates	<i>(iii)</i>	2,552	1,346

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28. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) The sales to associates were carried out in the ordinary course of business of the Group according to the prices and conditions offered to regular customers of the Group, and the purchases from associates were carried out in the ordinary course of business of the Group according to the prices and conditions similar to those offered to regular customers of the suppliers.
- (ii) The rentals paid to Perla City Investments Limited and Gaintek Holdings Limited were in connection with the housing benefits provided to Messrs. Yum Chak Ming, Matthew and Yam Hon Ming, Tommy, directors of the Company, respectively, and were based on estimated open market rentals and have been included in the directors' remuneration as detailed in note 7 to the financial statements.
- (iii) The interest income from associates arose from the amounts due from associates, arising in the ordinary course of business of the Group, further details including the terms of which are disclosed in note 19 to the financial statements.

29. CONTINGENT LIABILITIES

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

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries	—	—	712,520	639,554
Amount of banking facilities with the Company's guarantees utilised by subsidiaries	—	—	308,038	166,243

30. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2004, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	3,118	2,240	480	480
In the second to fifth years, inclusive	6,416	6,182	—	480
After five years	50,372	52,199	—	—
	59,906	60,621	480	960

31. COMMITMENTS

(a) Capital commitments

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the balance sheet date:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Contracted for:				
Land and buildings	40,724	31,092	—	—
Plant and machinery	108,711	73,195	—	—
Investments in subsidiaries in Mainland China	—	—	104,188	62,366
	149,435	104,287	104,188	62,366

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31. COMMITMENTS (continued)

(b) Forward foreign exchange contracts

At the balance sheet date, the Group had the following notional amounts of forward foreign exchange contracts:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Buying of RMB	237,380	—	—	—
Buying of EURO	38,123	—	38,123	—
Buying of USD	134,395	—	134,395	—
Selling of RMB	405,032	—	307,391	—
Selling of USD	84,739	—	37,939	—

The unrealised gain on forward foreign exchange contracts at the balance sheet date has not been recorded as it is not material to the Group's financial statements.

32. COMPARATIVE AMOUNTS

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 6 July 2004.