

1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited. The principal place of business of the Company is located at 4th Floor, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the following activities:

- manufacture and sale of paper cartons, packaging boxes and children's novelty books
- manufacture and sale of hangtags, labels and shirt paper boards and plastic bags
- commercial printing

Details of the principal activities of the subsidiaries are set out in note 15(a) to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 24 to 70 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice (SSAPs) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention, except for the periodic remeasurement of certain leasehold land and buildings, investment properties and other investments.

Adoption of revised SSAP

In the current year, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively, and accordingly comparative amounts have been restated.

The Group's opening accumulated profits at 1 April 2002 and 1 April 2003 have been reduced by approximately HK\$1,742,000 and HK\$989,000 respectively, which is the cumulative effect of the change in policy on the results for years prior to 31 March 2003. The balance on the Group's properties revaluation reserve at 31 March 2002 and 31 March 2003 was reduced by HK\$5,333,000 and HK\$4,691,000 respectively, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's properties at that date.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are carried at cost less impairment loss.

(d) Goodwill

Positive goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired.

In respect of subsidiaries positive goodwill is amortised to the consolidated income statement on a straight line basis over its estimated useful life of not exceeding 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Goodwill (Continued)

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 consolidated reserves, as appropriate. An 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.

(e) Property, plant and equipment

(i) Depreciation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Medium term leasehold land and buildings	
outside Hong Kong	Over the lease terms
Medium term leasehold land in Hong Kong	Over the lease terms
Medium term leasehold buildings in Hong Kong	4%
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%

(ii) Measurement bases

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**(e) Property, plant and equipment (Continued)***(ii) Measurement bases (Continued)*

Any surplus arising on revaluation of property, plant and equipment other than investment properties is credited to revaluation reserve. A decrease in net carrying amount arising on revaluation is charged to the income statement to the extent that this exceeds the surplus, if any, held in revaluation reserve relating to the previous revaluation of the same item of assets. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits.

(f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of the investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to recover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease term.

(h) Other investment

Investments in debt and equity securities which are not intended to be held for an identified long term purpose are stated in the balance sheet at fair values. Fair values are determined on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair values of such investments are credited or charged to the income statement in the period in which they arise.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is calculated as the actual or estimated selling prices less all further costs of completion and the estimated costs necessary to make the sale.

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Impairment (Continued)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(k) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. For the purpose of the balance sheet, cash and cash equivalents include term deposits, and assets similar in nature to cash, which are not restricted as to use.

(l) Trade receivables

Trade receivables, which generally have credit terms of 30 to 90 days, are recognised and carried at original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(n) Income tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**(n) Income tax (Continued)**

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(o) Employee benefits*(i) Employee entitlements*

Employee entitlements to long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the balance sheet date.

Provision have been made in the financial statements in respect of long service payments which may become payable in the future under the Hong Kong Employment Ordinance to employees in proportion to their periods of service with the Group up to the balance sheet date. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Hong Kong Employment Ordinance.

(ii) Bonus plans

Provisions for bonus due wholly within twelve months after the balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Group operates a defined contribution Mandatory Provident fund retirement benefits scheme (the "Hong Kong Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions 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 Hong Kong Scheme. The assets of the Hong Kong 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 Hong Kong Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Hong Kong Scheme.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(iii) Pension obligations (Continued)

Pursuant to the relevant regulations of the government of the People's Republic of China (the "PRC"), a subsidiary of the Company operating in the PRC participates in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the subsidiary is required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to the income statement as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

(iv) Equity compensation benefits

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding share options.

(p) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchanges are dealt with in the income statement.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and the income statements of these foreign subsidiaries are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movement in reserve.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**(p) Foreign currencies (Continued)**

The gain or loss on a speculative forward contract is the foreign currency amount of the contract multiplied by the difference between the forward rate for the balance of the contract at the balance sheet date and either the contracted forward rate or the forward rate used at an intervening balance sheet date. The gain or loss is charged to the income statement.

(q) 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 bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(r) Recognition of revenue

Revenue from the sale of goods is recognised when goods are delivered and title has passed.

Revenue from rendering of services is recognised when the relevant services are rendered.

Interest income is recognised on a time proportion basis.

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term.

Dividend income is recognised when the Group's right as a shareholder to receive payment is established.

(s) 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.

3. 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 manufacture and sale of paper cartons, packaging boxes and children's novelty books segment produces paper cartons, packaging boxes and children's novelty books for sale principally to manufacturers and publishers of consumer products;
- (b) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags segment produces hangtags, labels, shirt paper boards and plastic bags products for sale principally to manufacturers of consumer products; and
- (c) the commercial printing segment provides financial printing, digital printing and other related services.

In determining the Group's geographical segments, revenues and results 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.

For the year ended 31 March 2004

3. SEGMENT INFORMATION (Continued)**(a) Business segments**

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

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Eliminations		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)
Segment revenue:										
Sales to external customers	346,779	291,666	36,422	22,345	56,040	56,981	-	-	439,241	370,992
Intersegment sales	7,289	2,215	179	361	701	707	(8,169)	(3,283)	-	-
Total	354,068	293,881	36,601	22,706	56,741	57,688	(8,169)	(3,283)	439,241	370,992
Segment results	31,580	13,808	3,749	1,146	7,262	5,241	-	-	42,591	20,195
Interest income									1,316	1,917
Unallocated expenses									(16)	(24,955)
Profit/(Loss) from operations									43,891	(2,843)
Finance costs									(155)	(259)
Profit/(Loss) before taxation									43,736	(3,102)
Taxation									(4,640)	(2,102)
Profit/(Loss) attributable to shareholders									39,096	(5,204)

3. SEGMENT INFORMATION (Continued)**(a) Business segments (Continued)**

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(Restated)		(Restated)						(Restated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	415,903	336,926	21,825	19,059	20,768	15,015	-	-	458,496	371,000
Segment liabilities	102,333	70,075	6,639	4,259	11,564	6,947	-	-	120,536	81,281
Other segment information:										
Depreciation	20,154	19,956	3,167	2,136	1,828	1,982	-	-	25,149	24,074
Amortisation of goodwill	105	106	-	-	-	-	-	-	105	106
Capital expenditure	60,401	12,852	1,194	1,425	469	2,108	-	-	62,064	16,385
Revaluation (surplus)/deficit of leasehold land and buildings recognised in the income statement	(2,821)	2,417	-	-	-	-	-	-	(2,821)	2,417
Revaluation (surplus)/deficit of investment properties recognised in the income statement	(3,206)	3,760	-	-	-	-	-	-	(3,206)	3,760
Revaluation (surplus)/deficit of leasehold land and buildings recognised in the asset revaluation reserve	(3,803)	360	-	-	-	-	-	-	(3,803)	360
Other non-cash expenses	67	751	-	58	-	705	-	-	67	1,514

For the year ended 31 March 2004

3. SEGMENT INFORMATION (Continued)**(b) Geographical segments**

The following table presents revenue, certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	429,793	366,575	9,448	4,417	-	-	439,241	370,992
Other segment information:								
Segment assets	301,271	214,071	157,225	156,929	-	-	458,496	371,000
Capital expenditure	34,383	4,362	27,681	12,023	-	-	62,064	16,385

4. TURNOVER

Turnover represents the invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered during the year after eliminations of all significant intra-group transactions.

5. OTHER REVENUE

	2004	2003
	HK\$'000	HK\$'000
Sale of scrap paper materials	6,841	6,522
Recovery of bad debts	531	-
Exchange gain, net	284	-
Gross rental income from investment properties	1,779	1,754
Interest income	1,316	1,917
Dividend income from listed investments	110	25
Gain on disposal of listed investments	488	11
Gain on disposal of unlisted investments	109	178
Gain on disposal of property, plant and equipment	22	37
Surplus on revaluation of investment properties	3,206	-
Surplus on revaluation of leasehold land and buildings	2,821	-
Sundry income	328	260
	17,835	10,704

6. PROFIT/(LOSS) FROM OPERATIONS

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

	2004 HK\$'000	2003 HK\$'000
Amortisation of goodwill	105	106
Auditors' remuneration	650	750
Cost of inventories sold	297,350	244,532
Cost of services rendered	32,064	32,481
Depreciation	25,149	24,074
Net unrealised loss on other investments	62	956
Operating lease charges on land and buildings	3,340	3,298
Bad debt expenses	–	558
Provision against note receivable	–	24,717
Revaluation (surplus)/deficit on investment properties	(3,206)	3,760
Revaluation (surplus)/deficit on leasehold land and buildings	(2,821)	2,417
Staff costs (excluding directors' remuneration)		
Wages and salaries	60,191	49,469
Provision for long service payments	448	216
Net pension scheme contributions	1,719	1,697
and crediting:		
Rental income from investment properties, net of outgoings	(1,264)	(1,246)

7. FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest charges on bank loans, overdrafts and other borrowings repayable within five years	155	259

8. TAXATION

The tax charge comprises:

	Group	
	2004	2003
		(Restated)
	HK\$'000	HK\$'000
Current tax – Hong Kong:		
Tax for the year	3,082	1,182
Under provision in respect of prior years	757	139
Current tax – overseas:		
Tax for the year	916	1,213
Deferred tax		
Current year – tax credit (note 27)	(322)	(432)
Attributable to increase in tax rate (note 27)	207	–
	4,640	2,102

Hong Kong profits tax is provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong is calculated at the rates of tax prevailing in the countries in which the Group operated during the year based on existing legislation, interpretations and practices in respect thereof.

Deferred tax is accounted for using the balance sheet liability method at the rate of 17.5% (2003: 17.5%).

8. TAXATION (Continued)

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Profit/(loss) before taxation	43,736	(3,102)
Tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	8,158	(78)
Tax effect on non-deductible expense	878	1,227
Tax effect on non-taxable revenue	(3,879)	(2,194)
Tax effect of utilisation of tax losses not previously recognised	(1,061)	(1,504)
Tax effect on tax loss not recognised	312	4,251
Tax effect on (taxable)/deductible temporary differences not recognised	(525)	261
Under provision in prior years	757	139
Total taxation	4,640	2,102

9. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2004 was HK\$18,880,000 (2003: HK\$14,285,000).

10. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim dividend of HK1 cent per ordinary share (2003: HK1 cent with a scrip dividend option)	4,823	4,179
Proposed final dividend of HK2 cents per ordinary share (2003: HK2 cents)	9,647	8,646
Proposed special dividend of HK1 cent per ordinary share (2003: Nil)	4,823	–
	19,293	12,825

The interim dividend for the year was paid in the form of cash. The interim dividend for the year ended 31 March 2003 was paid in the form of scrip dividend and cash amounting to HK\$2,479,000 and HK\$1,700,000 respectively.

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

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's net profit/(loss) attributable to shareholders for the year of HK\$39,096,000 (2003: loss attributable to shareholders of HK\$5,204,000 restated) and the weighted average of 443,289,965 (2003: 419,748,674) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2004 was based on the Group's profit attributable to shareholders of HK\$39,096,000. The weighted average number of ordinary shares used in the calculation was 443,289,965 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 1,734,545 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted loss per share amount for the year ended 31 March 2003 is not disclosed, as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for the year.

12. PROPERTY, PLANT AND EQUIPMENT**Group**

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation						
At 1 April 2003	77,720	179,107	21,959	12,691	6,090	297,567
Additions	33,389	25,017	1,533	839	522	61,300
Disposals	–	(1,161)	–	–	(199)	(1,360)
Accumulated depreciation eliminated on revaluation	(1,973)	–	–	–	–	(1,973)
Revaluation surplus – credit to the income statement	2,821	–	–	–	–	2,821
– dealt with in the revaluation reserve	3,803	–	–	–	–	3,803
At 31 March 2004	115,760	202,963	23,492	13,530	6,413	362,158
Accumulated depreciation						
At 1 April 2003	–	98,948	16,874	5,792	4,562	126,176
Charge for the year	1,973	18,409	2,359	1,784	624	25,149
Disposals	–	(517)	–	–	(199)	(716)
Elimination on revaluation	(1,973)	–	–	–	–	(1,973)
At 31 March 2004	–	116,840	19,233	7,576	4,987	148,636
Net book value						
At 31 March 2004	115,760	86,123	4,259	5,954	1,426	213,522
At 31 March 2003	77,720	80,159	5,085	6,899	1,528	171,391
At cost	–	202,963	23,492	13,530	6,413	246,398
At professional valuation	115,760	–	–	–	–	115,760
	115,760	202,963	23,492	13,530	6,413	362,158

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land and buildings comprise:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Medium term leasehold land and buildings in Hong Kong	49,560	8,020
Medium term leasehold land and buildings outside Hong Kong	66,200	69,700
Total valuation	115,760	77,720

At the balance sheet date, the Group's leasehold land and buildings in Hong Kong were carried at their valuations as at 31 March 2004 performed by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent firm of professional valuers, on the basis of Market Value, at HK\$49,560,000. The resulting revaluation surplus amounting to HK\$2,821,000 and HK\$8,142,000 was credited to the income statement and the asset revaluation reserve respectively.

At the balance sheet date, the Group's leasehold land and buildings outside Hong Kong were carried at their valuations as at 31 March 2004 performed by LCH, on the basis of Depreciated Replacement Cost, at HK\$66,200,000. The resulting revaluation deficit amounting to HK\$4,339,000 is recognised in the asset revaluation reserve.

Had the Group's land and buildings in Hong Kong been valued at cost less accumulated depreciation, their carrying amounts would have been restated at HK\$43,709,348 (2003: HK\$13,580,729).

Had the Group's land and buildings outside Hong Kong been valued at cost less accumulated depreciation, their carrying amounts would have been restated at HK\$50,683,479 (2003: HK\$49,499,064).

At the balance sheet date, certain of the Group's land and buildings amounting to HK\$46,790,000 (2003: HK\$5,770,000) were pledged to secure general banking facilities granted to the Group as further detailed in note 29 to the financial statements.

13. INVESTMENT PROPERTIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
At valuation		
At beginning of the year	9,980	13,740
Additions	764	–
Revaluation surplus/(deficit)	3,206	(3,760)
	<hr/>	<hr/>
At end of the year	13,950	9,980

The Group's investment properties were revalued, on the basis of Market Value, at HK\$13,950,000 by LCH as at 31 March 2004. The resulting revaluation surplus amounting to HK\$3,206,000 was credited to the income statement.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 32 to the financial statements.

All of the Group's investment properties are situated in Hong Kong under medium term leases. Investment properties with a valuation of HK\$6,300,000 (2003: HK\$4,500,000) were pledged to secure general banking facilities granted to the Group as further detailed in note 29 to the financial statements.

Further particulars of the Group's investment properties are included on pages 71 and 72.

14. GOODWILL

The amount of goodwill capitalised as an asset as at 31 March 2004, arising from the acquisition of an additional equity interest in a subsidiary during the year ended 31 March 2002, which is amortised over 5 years, is as follows:

Group	HK\$'000
Gross amount	
At 1 April 2003 and at 31 March 2004	527
Accumulated amortisation	
At 1 April 2003	106
Amortisation provided for the year	105
At 31 March 2004	211
Net book value	
At 31 March 2004	316
At 31 March 2003	421

At 31 March 2004, the amount of goodwill, arising from the acquisition of subsidiaries which occurred prior to the Group's accounting period beginning 1 April 2001, remaining in consolidated reserves amounted to HK\$1,408,000 (2003: HK\$1,408,000).

15. (a) INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	116,995	116,995

15. (a) INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Country/Place of incorporation/registration	Nominal value of paid-up capital/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cheong Ming (BVI) Enterprises Limited	British Virgin Islands	HK\$10,000 Ordinary shares	100%	–	Investment holding
CM Investment Enterprises Limited	British Virgin Islands	US\$1 Ordinary share	100%	–	Investment holding
Capital Asset Management Limited (formerly known as Capital Assets Management Limited)	Hong Kong	HK\$2 Ordinary shares	–	100%	Property and investment holding
Cheong Ming Press Factory Limited	Hong Kong	HK\$1,000 Ordinary shares HK\$1,000,000 *Non-voting deferred shares	–	100%	Manufacture and sale of paper cartons, children's novelty books and commercial printing
Chun Ming Printing Factory Company Limited	Hong Kong	HK\$150,000 Ordinary shares	–	100%	Manufacture and sale of hangtags, labels and shirt paper boards
Cheong Ming Paper, Poly Press & Printing Factory Limited	Hong Kong	HK\$1,000 Ordinary shares HK\$1,000,000 *Non-voting deferred shares	–	100%	Sub-contracting of the manufacture of paper cartons

15. (a) INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dongguan Cheong Ming Printing Co., Ltd.	PRC	HK\$67,700,000 (2003: HK\$65,850,000)	-	100%	Sub-contracting of the manufacture of paper cartons and plastic bags
Capital Financial Press Limited	Hong Kong	HK\$800,000 Ordinary shares	-	100%	Commercial printing
Capital Translation Services Limited	Hong Kong	HK\$500,000 Ordinary shares	-	100%	Provision of translation services
32 Print.com Limited	Hong Kong	HK\$3,750,000 Ordinary shares	-	100%	Digital printing
Harvest King Limited	Hong Kong	HK\$2 Ordinary shares	-	100%	Trading of hangtags, labels and shirt paper boards
Aegina (B.V.I.) Limited	British Virgin Islands	US\$1 Ordinary share	-	100%	Investment holding

* The non-voting deferred shares carry no rights to dividends unless the profit available for distribution for the financial year exceeds HK\$100,000,000,000,000, no rights to attend or vote at general meetings except, at a general meeting convened for any resolution which directly affects the rights or privileges of the non-voting deferred shares, and no rights to receive any surplus in a return of capital in a winding-up (other than the amount paid up on those shares, provided that the holders of the ordinary shares of that company have received, by way of a distribution in such winding-up, a sum of HK\$500,000,000,000,000).

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 all subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. (b) AMOUNTS DUE FROM SUBSIDIARIES/AMOUNT DUE TO A SUBSIDIARY

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. NOTE RECEIVABLE

On 10 July 2001, the Group entered into an agreement (the "Note Agreement") with a private company incorporated in Hong Kong, an independent third party, (the "Borrower") for the subscription of a convertible redeemable note (the "Note") amounting to HK\$24,000,000. The Note bore interest at a rate of 8% per annum and is secured by a share mortgage over all the issued share capital and a debenture over all the assets of the Borrower and personal guarantees executed by two directors of the Borrower. The outstanding principal amount of the Note was convertible into ordinary shares of the Borrower in accordance with the conversion mechanism as stated in the Note Agreement prior to the maturity of the Note on 11 July 2003. In accordance with the Note Agreement the Note would become immediately due and payable if there were events the occurrence of which would have an adverse impact on the Borrower's financial position.

On 22 May 2002, the Group issued a demand letter to the Borrower for the repayment of the principal of HK\$24,000,000 together with accrued interest at the rate of 8% per annum from 1 April 2002 up to and including the date of repayment. The demand letter was issued on the basis that the directors of the Company became aware of certain events which they believed might have had an adverse impact on the Borrower's financial position. Upon the failure to reach an immediate settlement agreement with the Borrower, the Group filed a petition for the winding-up of the Borrower in the High Court of Hong Kong SAR on 14 June 2002.

The Borrower's principal activity is the undertaking of maintenance building works from the Hong Kong SAR Government as a subcontractor. The nature of the Borrower's principal activity requires a substantial outflow of cash resources at the beginning of the maintenance contracts to settle labour costs and to purchase raw materials, while the replenishment of the Borrower's cash resources in the billings for work completed and certified involves a time lag from the cash outflow required for the maintenance contracts noted above.

On 17 July 2002, the directors of the Company reached a settlement agreement with the Borrower for the full repayment of the Note and the winding-up petition was also withdrawn upon prompt settlement of the first instalment by the Borrower in accordance with the settlement agreement.

On 27 August 2002, the Group issued a demand letter again to the Borrower for the repayment of the outstanding principal of HK\$23,500,000 together with the accrued interest upon the Borrower's failure to honour the second instalment due in August 2002. On 18 September 2002, the Group filed a petition for winding up against the Borrower in the High Court of Hong Kong SAR after no progress on the repayment of the principal of HK\$23,500,000 together with the related interest had been made. Pursuant to the winding-up order on 20 November 2002, the total amount of claim, including the outstanding principal of HK\$23,500,000 and the unpaid accrued interest of HK\$1,217,000, was approved by the High Court of Hong Kong SAR in favour of the Group.

16. NOTE RECEIVABLE (Continued)

Despite the above ruling, the Group had made full provision for the outstanding principal of HK\$23,500,000 plus the unpaid accrued interest of HK\$1,217,000 as at 31 March 2003. This was because the Borrower was under official receivership and in the opinion of the directors, the Group was unlikely to recover any substantial amount regarding the Note through the liquidation process in light of the Borrower's deficiency in assets and the directors' assessment of the value of the personal guarantees given in connection with the issue of the Note.

On 17 May 2004, the Group filed a creditor's bankruptcy petition to the High Court of Hong Kong SAR against the two former directors of the Borrower who provided personal guarantees to the Note.

On 7 July 2004, the Group withdrew the petition against one of the guarantors of the Borrower since the guarantor was involved in another bankruptcy petition and was adjudicated bankrupt by the High Court of Hong Kong SAR.

17. INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	31,568	24,063
Work in progress	6,086	3,623
Finished goods	4,826	3,885
	42,480	31,571

At the balance sheet date, no inventories were stated at net realisable value (2003: Nil).

18. TRADE AND BILLS RECEIVABLES

At 31 March 2004, the gross trade and bills receivables, net of provisions are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Bills receivable	1,117	1,159
Trade receivables	87,468	85,349
	88,585	86,508

18. TRADE AND BILLS RECEIVABLES (Continued)

At 31 March 2004, the aging analysis of the trade and bills receivables, based on invoiced date and net of provisions, is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current to 30 days	34,933	28,044
31 to 60 days	25,520	17,403
61 to 90 days	11,545	16,478
Over 90 days	16,587	24,583
	<u>88,585</u>	<u>86,508</u>

19. OTHER INVESTMENTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong listed equity investments, at fair value	1,304	2,728
Overseas listed debt investment, at fair value	–	3,889
Overseas unlisted debt investment, at fair value	3,000	–
	<u>4,304</u>	<u>6,617</u>

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash in hand, bank balances, and time deposits with original maturity of more than three months	47,398	24,788	4,638	970
Cash placed at a securities brokerage firm	1,199	–	–	–
Time deposits with original maturity of less than three months	37,256	32,651	–	–
Short-term currency note	3,900	–	–	–
Cash and cash equivalents	89,753	57,439	4,638	970

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$2,844,000 (2003: HK\$1,170,000). The RMB is not freely convertible into other currencies, however, under PRC’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.

21. TRADE PAYABLES

At 31 March 2004, the aging analysis of the trade payables, based on invoiced date, is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current to 30 days	29,452	22,964
31 to 60 days	15,530	11,124
61 to 90 days	8,012	7,070
Over 90 days	8,065	6,115
	61,059	47,273

22. INTEREST-BEARING BORROWINGS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Bank overdrafts, secured	612	80
Trust receipt loans, secured	1,822	–
Bank loan, secured	20,000	–
	22,434	80

	Group	
	2004	2003
	HK\$'000	HK\$'000
Bank loan repayable		
Within one year or on demand	2,880	80
In the second year	2,880	–
In the third to fifth years, inclusive	8,640	–
Over five years	5,600	–
Trust receipt loans and bank overdrafts repayable within one year or on demand	2,434	–
	22,434	80
Less: Current portion due within one year included under current liabilities	(5,314)	(80)
Non-current portion included under long-term liabilities	17,120	–

23. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1 April 2003	1,978	1,952
Provision made during the year	448	216
Provision utilised during the year	–	(190)
	<hr/>	<hr/>
At 31 March 2004	2,426	1,978

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained in note 2(o) to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the balance sheet date.

24. SHARE CAPITAL

	2004	2003
	HK\$'000	HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.10 each	80,000	80,000
	<hr/>	<hr/>
Issued and fully paid:		
482,331,061 (2003: 432,331,061) ordinary shares of HK\$0.10 each	48,233	43,233

24. SHARE CAPITAL (Continued)

Details of the movements in the issued share capital of the Company during the current year and the prior year were as follows:

	<i>Notes</i>	HK\$'000	Number of shares
At 1 April 2002		41,788	417,875,000
Exercise of share options	(a)	500	5,000,000
Scrip dividend	(b)	945	9,456,061
At 31 March 2003 and 1 April 2003		43,233	432,331,061
Placement of new shares	(c)	5,000	50,000,000
At 31 March 2004		48,233	482,331,061

Note:

- (a) The subscription rights attaching to 5,000,000 share options were exercised at the subscription price of HK\$0.224 per share (note 25), resulting in the issue of 5,000,000 ordinary shares of HK\$0.10 each for a total cash consideration, before expenses of HK\$1,120,000.
- (b) 9,456,061 ordinary shares of HK\$0.10 each were allotted and issued at a price of HK\$0.262 per share as a scrip dividend to those shareholders who have elected to receive their interim dividend for 2003 in the form of new ordinary shares in the Company in lieu of cash.
- (c) On 29 December 2003, the Company entered into a subscription agreement with Harmony Link Corporation ("Harmony Link"), the substantial shareholder of the Company, who has conditionally agreed to subscribe for 50,000,000 new shares of the Company at a price of HK\$0.37 per share after the completion of a placement by Harmony Link, through an independent placing agent, of an aggregate of 50,000,000 ordinary shares in the Company to independent investors in cash at a price of HK\$0.37 per share. The subscription was subsequently completed on 12 January 2004. Net proceeds of about HK\$17,855,000 million were used as general working capital of the Company.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 25 to the financial statements.

25. SHARE OPTION SCHEMES

The Company's share option scheme which was adopted on 27 December 1996 (the "Old Scheme") was terminated and replaced by a new share option scheme approved by the shareholders at the special general meeting of the Company held on 5 September 2002 (the "New Scheme"). Upon the termination of the Old Scheme, no further share options can be granted thereunder, but in all other respects, the provisions of the Old Scheme remained in force and all share options granted prior to such termination continued to be valid and exercisable in accordance therewith.

A summary of the Old Scheme and the New Scheme is set out below:

(a) Old Scheme

The Company operated a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old Scheme included any director or employee of the Company and its subsidiaries. The Old Scheme was adopted by the Company on 27 December 1996 and became effective upon its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 January 1997 and, unless otherwise cancelled or amended, would have remained in force for 10 years from its date of adoption. As at 31 March 2004, there were 13,000,000 share options granted which remained outstanding under the Old Scheme.

(b) New Scheme

The New Scheme became effective for a period of 10 years commencing on 5 September 2002. Under the New Scheme, the directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the higher of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; or (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share. The offer of a grant of options may be accepted within 21 days from the date of the offer. The exercise period of the options granted is determinable by the directors, and commences after a certain vesting period and ends in any event not later than 10 years from the date of the offer on which the offer for grant of the option is made, subject to the provisions for early termination thereof.

The maximum number of securities to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.

25. SHARE OPTION SCHEMES (Continued)

(b) New Scheme (Continued)

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the New Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the annual general meeting held on 5 September 2002.

No share options were granted under the New Scheme during the year.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

The following share options are outstanding under the Old Scheme during the year.

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
	As at 1 April 2003	Cancelled during the year	Exercised during the year	As at 31 March 2004				At grant date of options HK\$	At exercise date of options HK\$
Lui Chi	1,250,000	-	-	1,250,000	30 October 1997	30 October 1997 to 26 December 2006	0.3507	0.5300	N/A
	1,875,000	-	-	1,875,000	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	N/A
	3,125,000	-	-	3,125,000					
Lui Shing Ming, Brian	1,250,000	-	-	1,250,000	30 October 1997	30 October 1997 to 26 December 2006	0.3507	0.5300	N/A
	4,375,000	-	-	4,375,000					
Other employees									
In aggregate	625,000	-	-	625,000*	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	N/A
	7,500,000****	-	-	7,500,000	6 March 2000	23 September 2000 to 26 December 2006	2.7744	5.600	N/A
	250,000	-	-	250,000	8 July 2000	8 January 2001 to 26 December 2006	1.0960	1.6500	N/A
	250,000	-	-	250,000	5 September 2000	5 September 2001 to 26 December 2006	1.4048	2.2000	N/A
	8,625,000	-	-	8,625,000					
	13,000,000	-	-	13,000,000					

25. SHARE OPTION SCHEMES (Continued)**(b) New Scheme (Continued)**

Notes:

- * The share options to subscribe for 625,000 ordinary shares at a price of HK\$0.224 per share in the Company which were granted to the spouse of Mr. Lui Shing Chung, Victor is included in the "Other employees" category above and remained outstanding as at 31 March 2004.
- ** The exercise price of the share options was adjusted for the one for four bonus issue in the issued share capital of the Company as approved by the ordinary resolution passed at the general meeting held on 31 August 2001. The adjusted exercise price is subject to further adjustment in the case of any future rights or bonus issues, or other similar changes in the Company's share capital.
- *** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange's closing price of the Company as at the date of the grant of the share options.
- **** The share options to subscribe for 7,500,000 ordinary shares at a price of HK\$2.7744 per share in the Company which were granted to Mr. Brad Huang, a director of the Company who retired by rotation and ceased to be a director during the year, is included in the "Other employees" category above and remained outstanding as at 31 March 2004.

The 5,000,000 share options exercised in the year ended 31 March 2003 resulted in the issue of 5,000,000 ordinary shares of the Company and new share capital of HK\$500,000 and share premium of HK\$620,000 (before issue expenses).

As at 31 March 2004, the Company had 13,000,000 share options outstanding under the Old Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,000,000 additional ordinary shares and cash proceeds to the Company of approximately HK\$22,870,000 before the related share issue expenses.

26. RESERVES**Group**

	2004	2003 (Restated)
	HK\$'000	HK\$'000
Share premium account	65,910	53,055
Contributed surplus	34,080	34,080
Asset revaluation reserve	22,818	18,059
Goodwill reserve	(1,408)	(1,408)
Retained profits	153,857	134,054
	275,257	237,840

The contributed surplus of the Group arose as a result of the Group reorganisation carried out on 24 December 1996 and represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2002	50,901	116,795	3,872	171,568
Exercise of share options (Note 24(a))	620	–	–	620
Net profit for the year	–	–	14,285	14,285
Interim dividend	1,534	–	(4,179)	(2,645)
Proposed final dividend	–	–	(8,646)	(8,646)
At 31 March 2003 and 1 April 2003	53,055	116,795	5,332	175,182
Placement of shares (note 24(c))	12,855	–	–	12,855
Net profit for the year	–	–	18,880	18,880
Interim dividend	–	–	(4,823)	(4,823)
Proposed final dividend	–	–	(9,647)	(9,647)
Proposed special dividend	–	–	(4,823)	(4,823)
At 31 March 2004	65,910	116,795	4,919	187,624

26. RESERVES (Continued)**Company (Continued)**

The contributed surplus of the Company arose as a result of the same Group reorganisation scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

27. DEFERRED TAX

The following are major deferred tax assets and liabilities recognised in the balance sheet and the movements during the current and prior periods :

Group

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
At 1 April 2002			
– as previously reported	896	–	896
– adjustment on adoption of SSAP 12 (Revised)	1,742	5,333	7,075
As restated	2,638	5,333	7,971
Credit to income for the year	(432)	–	(432)
Credit to equity for the year	–	(642)	(642)
Balance at 1 April 2003	2,206	4,691	6,897
Credit to income for the year	(322)	–	(322)
Credit to equity for the year	–	(956)	(956)
Effect of change in tax rate – charge to income	207	–	207
Balance at 31 March 2004	2,091	3,735	5,826

27. DEFERRED TAX (Continued)

The net deferred tax asset was not recognised as at the balance sheet date in respect of tax losses of HK\$6,210,000 (2003: HK\$5,606,000) and general provisions of HK\$672,000 (2003: HK\$1,529,000) because the directors consider it appropriate not to recognise the benefit of any future tax relief since it is not probable that taxable profits will be available against which deductible temporary differences can be utilised.

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties was charged directly to equity.

28. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION**(a) Directors' remuneration**

Remuneration of the directors disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the provisions of the Listing Rules are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	210	240
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	9,162	9,625
Pension scheme contributions	443	493
	9,815	10,358

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

	Group	
	2004	2003
	Number of directors	Number of directors
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	3	3
HK\$1,500,001 – HK\$2,000,000	2	2
HK\$2,000,001 – HK\$2,500,000	1	1

28. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)**(a) Directors' remuneration (Continued)**

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

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid employees

The five highest paid employees during the year included five directors (2003: five), further details of whose remuneration are disclosed in note 28(a) to the financial statements.

29. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by the following:

- (a) legal charges on certain of the Group's leasehold land and buildings (note 12);
- (b) legal charges on certain of the Group's investment properties (note 13); and
- (c) corporate guarantees from the Company (note 30).

30. CONTINGENT LIABILITIES

At 31 March 2004, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK\$79,900,000 (2003: HK\$44,900,000).

The amount of banking facilities utilised by the subsidiaries amounted to HK\$34,685,000 as at 31 March 2004 (2003: HK\$3,533,000).

At 31 March 2004, a bank placed a charge to one of the subsidiaries to secure all relevant liability which may be due to the bank as stipulated in the financial service agreements between the bank and the subsidiary.

At 31 March 2004, the Group held a speculative forward exchange contract amounting to HK\$7,795,000 with maturity date of 25 September 2006.

31. CAPITAL COMMITMENTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Acquisition of property, plant and equipment:		
Contracted for	12,940	12,647
Authorised, but not contracted for	–	–
Investment in a subsidiary in the PRC	17,030	18,880
	29,970	31,527

The Company did not have any significant capital commitments at the balance sheet date (2003: Nil).

32. OPERATING LEASE COMMITMENTS**(a) As lessor**

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2004, the Group had total future minimum lease receivables under non-cancellable operating leases are receivable as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	1,255	1,419
In the second to fifth years, inclusive	420	156
	1,675	1,575

32. OPERATING LEASE COMMITMENTS (Continued)**(b) As lessee**

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty-nine years. None of the leases includes contingent rentals.

At 31 March 2004, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	2,788	2,000
In the second to fifth years, inclusive	2,967	3,563
After five years	8,533	–
	14,288	5,563

The Company did not have any significant commitments under non-cancellable operating leases at the balance sheet date (2003: Nil).

33. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group entered into an agreement to sale of four units out of twelve units of a non-residential property purchased during the year. The total purchase price of the property paid by the Group was HK\$30,410,000 with revaluation value of HK\$38,480,000 at 31 March 2004. The four units contracted to sale for HK\$16,614,000 with original cost of HK\$13,000,000 and revaluation value of HK\$16,450,000 at 31 March 2004.

34. COMPARATIVE AMOUNTS

As further explained in note 2(a) to the financial statements, due to the adoption of the 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 comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 24 to 70 were approved by the board of directors on 26 July 2004.