For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31st March, 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis. The financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of $171,025,000 at 31st March, 2006 and the breach of covenants relating to certain of the Group's bank facilities as disclosed in note 18. Subsequent to 31st March, 2006, the relevant banks granted the Group waivers from complying with these covenants. In addition, new facilities of $66,000,000 were granted by the banks. The ability of the Group to operate as a going concern is dependent on the continuing availability of the facilities provided by its banks. The Group's management has prepared a cash flow forecast for the year ending 31st March, 2007 and discussed the facilities with its major banks. Based on the cash flow forecast and outcome of these discussions, the Directors are of the opinion that the Group will be able to generate adequate cash flows from its operations and secure the necessary facilities from the banks to enable the Group to operate as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

For the year ended 31st March, 2006

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

(c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(f)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) **Property, plant and equipment**

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(f)), with the exception of properties under development which are stated at cost less impairment losses (see note 1(f)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases.

— Machinery	10 - 15 years
— Tools	10 years
— Furniture and fixtures	5 - 10 years
— Computer and office equipment	5 - 6 years
— Motor vehicles	5 - 6 years

No depreciation is provided in respect of properties under development.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. The useful life of an asset is reviewed annually.

(e) **Leased assets**

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the exception of land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, which is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(f). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) **Impairment of assets**

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— for receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for receivables are reversed if in a subsequent period the amount of the impairment loss decreases.

— for financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property, plant and equipment, pre-paid interests in leasehold land classified as being held under an operating lease, and investments in subsidiaries may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

1 **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(f) **Impairment of assets** *(Continued)*

(ii) Impairment of other assets *(Continued)*

— 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 their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

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

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(f)).

(i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. 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.

(l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

For the year ended 31st March, 2006
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1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

For the year ended 31st March, 2006
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1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added and other sales taxes and is after deduction of any trade discounts.

(ii) Dividends

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Licence fee income

Licence fee income is recognised in the income statement in equal instalments over the accounting periods covered by the term of the licence agreement.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average foreign exchange rates for the year. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of profit or loss on disposal.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen geographical segment information based on the location of assets (being the geographical location of the Group's production facilities) as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1st January, 2005.

Except for the following HKFRSs, the adoption of these new and revised HKFRSs did not result in significant changes to the Group and the Company's accounting policies applied in these financial statements for the years presented:

— HKAS 17, Leases;
— HKAS 39, Financial instruments: Recognition and measurement;
— HKAS 24, Related party disclosures; and
— HKAS 1, Presentation of financial statements.

The effects of the adoption of the above HKFRSs are set out below.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 33).

(a) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses.

With effect from 1st April, 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the cost of the interest in any buildings situated on the leasehold land could be separately identified from the cost of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Further details of the new policy are set out in notes 1(e) and (f).

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment.

The new accounting policy has been adopted retrospectively. The new accounting policy resulted in a reclassification of $30,696,000 (2005: $31,205,000) from "property, plant and equipment" to "interest in leasehold land held for own use under operating leases" in the balance sheet.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) **Financial instruments (HKAS 39, Financial instruments: Recognition and measurement)**

With effect from 1st April, 2005, in order to comply with HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes 1(f) and (h) to (j).

The changes in accounting policies did not have any material impact on the financial statements for the years ended 31st March, 2006 and 2005.

(c) **Definition of related parties (HKAS 24, Related party disclosures)**

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 1(r) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current year, as compared to those that would have been reported had Statement of Standard Accounting Practice 20, Related party disclosures, still been in effect.

(d) **Changes in presentation (HKAS 1, Presentation of financial statements)**

In prior years, bank loans were classified as current or non-current liabilities based on their due dates. Where covenants of bank facilities were breached, bank borrowings due to be repaid after 12 months from the balance sheet date were classified as non-current liabilities if the lender had agreed, prior to the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach, and it was not probable that further breaches would occur within twelve months of the balance sheet date.

With effect from 1st April, 2005, in order to comply with HKAS 1, where the Group does not have an unconditional right at the balance sheet date to defer settlement of the liabilities for the next 12 months, the loans are classified as current liabilities. The change in presentation has been applied retrospectively, with comparatives restated.

The new accounting policy has the impact of increasing current liabilities as at 31st March, 2006 by $31,275,000 (2005: $46,725,000), and a corresponding decrease in non-current liabilities by the same amount. The reclassification is due to the breach of covenants relating to certain bank loans at 31st March, 2006 and 2005 but waivers from complying with such covenants were granted after the balance sheet date.

For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

3 TURNOVER

The principal activities of the Group are the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

Turnover represents the invoiced value of goods sold, net of sales tax, returns and discounts.

4 OTHER REVENUE AND NET LOSS

	2006	2005
	$'000	*$'000*
(a) Other revenue		
Licence fee income	**3,363**	3,400
Interest income	**338**	232
Sundry income	**415**	1,066
	4,116	4,698
(b) Other net loss		
Loss on disposal of fixed assets	**(233)**	(364)
Exchange (loss)/gain	**(524)**	115
Others	**—**	(39)
	(757)	(288)

For the year ended 31st March, 2006

(Expressed in Hong Kong dollars)

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	2006	2005
		(restated)
	$'000	*$'000*
(a) **Finance costs:**		
Finance charges on obligations under finance leases	**4**	23
Interest on bank overdrafts and advances repayable within five years	**16,208**	7,950
	16,212	7,973
Less: borrowing costs capitalised into properties under development *	**(333)**	—
	15,879	7,973

* The borrowing costs have been capitalised at a rate of 5.4% per annum.

	2006	2005
	$'000	*$'000*
(b) **Staff costs: #**		
Contributions to defined contribution retirement plan	**2,833**	2,715
Salaries, wages and other benefits	**80,391**	80,547
	83,224	83,262

For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

5 (LOSS)/PROFIT BEFORE TAXATION *(Continued)*

(Loss)/profit before taxation is arrived at after charging/(crediting): *(Continued)*

	2006	2005 (restated)
	$'000	*$'000*
(c) **Other items:**		
Cost of inventories #	**370,580**	382,711
Auditors' remuneration		
- audit services		
- provision for the year	**1,009**	789
- under-provision in respect of prior years	**131**	81
- tax services	**173**	38
- other services	**168**	263
Depreciation #		
- owned assets	**36,203**	31,934
- assets held under finance leases	**172**	1,195
Amortisation of land lease premium #	**834**	1,014
Operating lease charges for land and buildings #	**507**	654
Impairment losses on receivables	**857**	591

\# Cost of inventories includes $90,010,000 (2005: $85,594,000) relating to staff costs, depreciation expenses, amortisation of land lease premium, and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) **Taxation in the consolidated income statement represents:**

	2006	2005
	$'000	*$'000*
Current tax - Provision for Hong Kong Profits Tax		
Tax for the year	**25**	—
Under-provision in respect of prior years	**55**	42
	80	42
Current tax - The People's Republic of China ("PRC") income tax		
Tax for the year	**3,368**	3,970
(Over)/under-provision in respect of prior years	**(388)**	175
	2,980	4,145
Deferred tax		
Origination and reversal of temporary differences	**(3,476)**	(1,817)
Effect of increase in tax rate on deferred tax balances at 1st April, 2005	**2,280**	—
	(1,196)	(1,817)
	1,864	2,370

The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for 2005 as the Group did not have assessable profits for the year.

Pursuant to the income tax rules and regulations of the PRC, Dongguan New Island Printing Company Limited ("DNIP") is liable to PRC income tax at a rate of 27%. However, DNIP has been granted a tax relief in 2005 as it has been recognised as an Export Enterprise. As a result, it is subject to income tax at an effective rate of 12% for the period from 1st January, 2005 to 31st December, 2005 and a rate of 27% for the period from 1st January, 2006 to 31st March, 2006.

For the year ended 31st March, 2006
(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

Shanghai New Island Packaging Printing Company Limited ("SNIP") was eligible for a 100% relief from PRC income tax for two years from its first profit-making year of operations and thereafter, it was subject to PRC income tax at 50% of the standard income tax rate for the following three years. Such tax incentive expired in 2002 which was the fifth year following the first profit-making year. However, SNIP has been granted a 50% relief from PRC income tax for a further three years until the end of 2005. As a result, SNIP is subject to income tax at an effective rate of 13.5% for the period from 1st April, 2005 to 31st December, 2005 and a rate of 27% for the period from 1st January, 2006 to 31st March, 2006 (year ended 31st March, 2005: 13.5%).

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2006	2005
	$'000	*$'000*
(Loss)/profit before tax	**(21,249)**	6,342
Notional tax on (loss)/profit before tax, calculated at the rates applicable to (losses)/profits in the jurisdictions concerned	**(3,035)**	898
Tax effect of non-deductible expenses	**1,583**	2,059
Tax effect of non-taxable revenue	**(408)**	(804)
Deferred tax assets not recognised	**1,777**	—
Tax effect of change in tax rate	**2,280**	—
(Over)/under-provision in prior years	**(333)**	217
Actual tax expense	**1,864**	2,370

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7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

2006	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	$'000	*$'000*	*$'000*	*$'000*
Executive Directors				
Madam So Chau Yim Ping, BBS, JP	**—**	**650**	**18**	**668**
Mr. So Wah Shum, Conrad	**—**	**910**	**42**	**952**
Mr. Ho Hing Lim, Peter	**—**	**1,800**	**12**	**1,812**
Non-Executive Directors				
Mrs. Cheong So Ka Wai, Patsy	**50**	**—**	**—**	**50**
Mrs. Fung So Ka Wah, Karen	**50**	**—**	**—**	**50**
Mr Ting Woo Shou, Kenneth, SBS, JP	**50**	**—**	**—**	**50**
Independent Non-Executive Directors				
Mr. Hui Yin Fat, O.B.E., JP	**50**	**—**	**—**	**50**
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	**50**	**—**	**—**	**50**
Mr. She Chiu Shun, Ernest	**50**	**—**	**—**	**50**

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7 DIRECTORS' REMUNERATION *(Continued)*

2005	Directors' fees *$'000*	Salaries, allowances and benefits in kind *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Executive Directors				
Madam So Chau Yim Ping, BBS, JP	—	650	18	668
Mr. So Wah Shum, Conrad	—	910	42	952
Mrs. Cheong So Ka Wai, Patsy	—	770	35	805
Mrs. Fung So Ka Wah, Karen	—	910	42	952
Mr. Ho Hing Lim, Peter	—	450	3	453
Non-Executive Directors				
Mr. Ting Woo Shou, Kenneth, SBS, JP	50	—	—	50
Madam Shea Chau Hung Ping	25	—	—	25
Independent Non-Executive Directors				
Mr. Hui Yin Fat, O.B.E., JP	50	—	—	50
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	50	—	—	50
Mr. She Chiu Shun, Ernest	25	—	—	25

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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2005: four) are Directors whose emoluments are disclosed in note 7. The emoluments of the other two (2005: one) individuals are as follows:

	2006	2005
	$'000	*$'000*
Salaries, allowances and benefits in kind	**1,924**	910
Retirement scheme contributions	**12**	12
	1,936	922

The emoluments of the above two (2005: one) individuals with the highest emoluments are within the following band:

	2006	2005
	Number of individuals	Number of individuals
Nil to $1,000,000	**1**	1
$1,000,001 to $1,500,000	**1**	—

9 (LOSS)/PROFIT FOR THE YEAR

The consolidated (loss)/profit for the year includes a loss of $737,000 (2005: profit of $2,255,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

(a) Dividend attributable to the year

	2006	2005
	$'000	*$'000*
Interim dividend declared and paid of Nil cent per share (2005: 1.0 cent per share)	**—**	2,225

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10 DIVIDENDS *(Continued)*

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2006	2005
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil cent per share (2005: 1.5 cents per share)	**—**	3,338

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss for the year of $23,113,000 (2005: profit of $3,972,000) and on the number of 222,529,000 (2005: 222,529,000) shares in issue during the year.

(b) Diluted (loss)/earnings per share

There were no dilutive potential shares during 2006 and 2005.

12 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

No business segment information is presented as all the Group's turnover and operating result are generated from the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

12 SEGMENT REPORTING *(Continued)*

Geographical segments by the location of assets and by the location of customers

As the Group's business participates in only one geographical location classified by the location of assets, i.e. the PRC, no separate geographical segment analysis based on the location of assets is presented.

The Group's geographical segments are also classified according to the location of customers. There are five customer-based geographical segments. Hong Kong and other areas of the PRC are major markets for the Group's business. Segment revenue from external customers by the location of customers is analysed as follows:

	2006	2005
	$'000	*$'000*
Hong Kong	**95,591**	116,934
Other areas of the PRC	**174,781**	182,184
United States	**144,269**	136,636
Europe	**17,119**	14,140
Other countries	**11,328**	21,248
	443,088	471,142

13 FIXED ASSETS

Group

	Buildings	Properties under development	Machinery Owned	Machinery Leased	Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles	Sub-total	Interest in leasehold land held for own use under operating leases	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:											
At 1st April, 2004 (restated)	225,831	4,852	291,674	17,883	7,723	22,564	22,411	10,959	603,897	40,187	644,084
Exchange adjustments	1,059	42	1,114	—	—	31	109	36	2,391	187	2,578
Additions	131	5,345	5,722	—	304	284	2,418	797	15,001	—	15,001
Transfer from properties under development	1,014	(1,760)	—	—	—	—	746	—	—	—	—
Disposals	(1,079)	—	—	—	—	(11)	(77)	(1,277)	(2,444)	(1,439)	(3,883)
Reclassification	—	—	11,500	(11,500)	—	—	—	—	—	—	—
At 31st March, 2005	226,956	8,479	310,010	6,383	8,027	22,868	25,607	10,515	618,845	38,935	657,780
Aggregate depreciation and amortisation:											
At 1st April, 2004 (restated)	45,767	—	140,082	3,275	4,877	19,159	16,111	7,041	236,312	6,743	243,055
Exchange adjustments	213	—	440	—	—	13	68	28	762	37	799
Charge for the year	7,827	—	18,845	1,195	644	704	2,754	1,160	33,129	1,014	34,143
Written back on disposal	(385)	—	—	—	—	(9)	(77)	(1,243)	(1,714)	(64)	(1,778)
Reclassification	—	—	3,053	(3,053)	—	—	—	—	—	—	—
At 31st March, 2005	53,422	—	162,420	1,417	5,521	19,867	18,856	6,986	268,489	7,730	276,219
Net book value:											
At 31st March, 2005	173,534	8,479	147,590	4,966	2,506	3,001	6,751	3,529	350,356	31,205	381,561
Cost:											
At 1st April, 2005 (restated)	226,956	8,479	310,010	6,383	8,027	22,868	25,607	10,515	618,845	38,935	657,780
Exchange adjustments	2,388	164	2,559	—	—	72	277	70	5,530	419	5,949
Additions	68	28,766	59,246	—	110	1,112	1,939	979	92,220	—	92,220
Transfer from properties under development	29,166	(29,222)	56	—	—	—	—	—	—	—	—
Disposals	—	—	(98)	—	—	(448)	(249)	(963)	(1,758)	—	(1,758)
Reclassification	—	—	6,383	(6,383)	—	—	—	—	—	—	—
At 31st March, 2006	**258,578**	**8,187**	**378,156**	**—**	**8,137**	**23,604**	**27,574**	**10,601**	**714,837**	**39,354**	**754,191**
Aggregate depreciation and amortisation:											
At 1st April, 2005 (restated)	53,422	—	162,420	1,417	5,521	19,867	18,856	6,986	268,489	7,730	276,219
Exchange adjustments	601	—	1,174	—	—	36	185	47	2,043	94	2,137
Charge for the year	8,833	—	22,465	172	679	750	2,399	1,077	36,375	834	37,209
Written back on disposal	—	—	(46)	—	—	(358)	(41)	(963)	(1,408)	—	(1,408)
Reclassification	—	—	1,589	(1,589)	—	—	—	—	—	—	—
At 31st March, 2006	**62,856**	**—**	**187,602**	**—**	**6,200**	**20,295**	**21,399**	**7,147**	**305,499**	**8,658**	**314,157**
Net book value:											
At 31st March, 2006	**195,722**	**8,187**	**190,554**	**—**	**1,937**	**3,309**	**6,175**	**3,454**	**409,338**	**30,696**	**440,034**

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13 FIXED ASSETS *(Continued)*

The analysis of net book value of properties is as follows:

	2006	2005
	$'000	*$'000*
Situated in Hong Kong and held under medium term leases	**92,541**	94,990
Situated outside Hong Kong and held under medium term leases	**142,064**	118,228
	234,605	213,218
Representing:		
Buildings	**195,722**	173,534
Interest in leasehold land held for own use under operating leases	**30,696**	31,205
Properties under development	**8,187**	8,479
	234,605	213,218

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	$'000	*$'000*
Unlisted shares, at cost	**82,360**	82,360
Amounts due from subsidiaries	**44,249**	44,998
	126,609	127,358

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14 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Particulars of issued capital	Percentage of ownership interest held by the Company Directly	Indirectly	Principal activities
New Island Printing Company Limited	Hong Kong	2 ordinary shares of $100 each 10,000 non-voting deferred shares of $100 each	—	100	Printing business
Sonic Manufacturing Company Limited	Hong Kong	2 ordinary shares of $100 each 1,000 non-voting deferred shares of $100 each	—	100	Sub-contracting in printing and packaging
Dongguan New Island Printing Company Limited	The PRC	Registered capital of $100,000,000	—	100	Production and distribution of paper products
Shanghai New Island Packaging Printing Company Limited	The PRC	Registered capital of US$5,700,000	—	100	Production and distribution of paper products

Dongguan New Island Printing Company Limited ("DNIP") was set up in 1992 as an equity joint venture between the Company's subsidiary, New Island Printing Company Limited ("NIPCL"), and Dongguan Dalingshan Economic Development Company ("DDEDC") with equity interests of 70% and 30% respectively. Pursuant to the approval letter from Dongguan Municipal Foreign Economic Trade Committee on 28th March, 1996, DNIP became a cooperative joint venture and DDEDC's 30% equity interest was transferred to NIPCL in return for a management fee of RMB300,000 per annum (subject to a 10% increase for each year until 2001 and revised to 6% increase for each year thereafter). Following the transfer, DNIP became a wholly owned subsidiary of the Group. DNIP has an operating period of 35 years expiring on 13th March, 2027.

Shanghai New Island Packaging Printing Company Limited ("SNIP") was set up in 1995 as a wholly owned foreign enterprise. SNIP has an operating period of 20 years expiring on 1st March, 2015.

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15 INVENTORIES

	Group	
	2006	2005
	$'000	*$'000*
Raw materials	**51,087**	66,851
Work in progress	**15,401**	28,835
Finished goods	**12,298**	10,567
	78,786	106,253

16 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to $1,352,000 (2005: $1,353,000), are expected to be recovered within one year.

Included in trade debtors, prepayments and deposits are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis:

	Group	
	2006	2005
	$'000	*$'000*
Current	**46,733**	52,071
One to three months overdue	**22,373**	28,000
More than three months overdue	**9,185**	11,844
	78,291	91,915

The Group's credit policy is set out in note 26(a).

Included in trade debtors, prepayments and deposits are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2006	2005
	'000	*'000*
United States Dollar	**USD3,216**	USD1,379

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17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**29,976**	45,231	**35**	35
Pledged bank deposit #	**(9,615)**	(9,434)	**—**	—
Cash and cash equivalents in the balance sheet	**20,361**	35,797	**35**	35
Bank overdrafts (note 18)	**(53,182)**	(42,141)		
Cash and cash equivalents in the cash flow statement	**(32,821)**	(6,344)		

At 31st March, 2006, a bank deposit of RMB10,000,000 (2005: RMB10,000,000) was pledged as security against banking facilities amounting to RMB10,000,000 (2005: RMB10,000,000), equivalent to $9,615,000 (2005: $9,434,000), extended to the Group. Such facilities were fully utilised at 31st March, 2006.

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2006	2005
	'000	*'000*
United States Dollar	**USD545**	USD438

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18 BANK LOANS AND OVERDRAFTS

At 31st March, 2006, bank loans and overdrafts were repayable as follows:

	Group	
	2006	2005
		(restated)
	$'000	*$'000*
Within one year or on demand	**254,294**	255,688
After one but within two years	**6,000**	6,704
	260,294	262,392

At 31st March, 2006, bank loans and overdrafts were secured as follows:

	2006	2005
	$'000	*$'000*
Bank overdrafts		
- secured	**12,072**	8,578
- unsecured	**41,110**	33,563
	53,182	42,141
Bank loans		
- secured	**108,592**	114,990
- unsecured	**98,520**	105,261
	207,112	220,251
	260,294	262,392

Certain banking facilities and loans granted to the Group are secured by mortgages over the Group's interest in leasehold land, buildings, machinery and bank deposit pledged with an aggregate carrying value of $185,943,000 (2005: $194,815,000) at 31st March, 2006. Such banking facilities, amounting to $189,746,000 (2005: $200,698,000) were utilised to the extent of $163,946,000 (2005: $157,522,000) at 31st March, 2006.

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18 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31st March, 2006, the Group has breached the covenants of several banking facilities. Such banking facilities, amounting to $207,075,000 (2005: $178,358,000) were utilised to the extent of $178,741,000 (2005: $137,776,000). Included in the amount utilised is $31,275,000 (2005: $46,725,000) which, in accordance with the terms of the banking facilities, was scheduled to be repaid after one year from the balance sheet date, but is classified as current liabilities in the consolidated balance sheet as the Group does not have an unconditional right at the balance sheet date to defer settlement for at least the next twelve months as a result of the breach of the covenants. Subsequent to the balance sheet date, the Group has received waivers from compliance with these covenants.

The Directors are of the opinion that adequate banking facilities will continue to be made available to the Group to finance its operations in the foreseeable future.

19 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2006, the Group had obligations under finance leases payable as follows:

	2006			2005		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Within one year	—	—	—	433	4	437

20 TRADE CREDITORS AND ACCRUED CHARGES

Included in trade creditors and accrued charges are trade creditors with the following ageing analysis:

	Group	
	2006	2005
	$'000	*$'000*
Current	**26,839**	21,513
One to three months overdue	**11,667**	12,839
More than three months overdue	**471**	259
	38,977	34,611

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20 TRADE CREDITORS AND ACCRUED CHARGES *(Continued)*

Included in trade creditors and accrued charges are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2006	2005
	'000	*'000*
United States Dollar	**USD612**	USD90

21 BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	Group	
	2006	2005
	$'000	*$'000*
Due within one month	**12,921**	9,234
Due after one month but within two months	**7,160**	12,294
Due after two months but within three months	**29,435**	16,244
	49,516	37,772

Included in bills payable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2006	2005
	'000	*'000*
Renminbi	**RMB30,063**	RMB6,558
United States Dollar	**USD1,412**	USD1,902

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22 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) **Current taxation in the consolidated balance sheet represents:**

	Group	
	2006	2005
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**25**	—
Provisional Profits Tax paid	**—**	(2,865)
	25	(2,865)
Balance of Profits Tax recoverable relating to prior years	**(3,764)**	—
	(3,739)	(2,865)
PRC income tax payable	**1,034**	1,827
	(2,705)	(1,038)
Representing:		
Current taxation payable	**1,219**	1,827
Current taxation recoverable	**(3,924)**	(2,865)
	(2,705)	(1,038)

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22 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) **Deferred tax assets and liabilities recognised:**

Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation	Impairment losses for bad and doubtful debts	Future benefits of tax losses	Total
	$'000	*$'000*	*$'000*	*$'000*
Deferred tax arising from:				
At 1st April, 2004	22,968	(786)	—	22,182
Credited to consolidated income statement	(741)	(120)	(956)	(1,817)
At 31st March, 2005	22,227	(906)	(956)	20,365
At 1st April, 2005	22,227	(906)	(956)	20,365
Charged/(credited) to consolidated income statement	1,164	207	(2,567)	(1,196)
At 31st March, 2006	**23,391**	**(699)**	**(3,523)**	**19,169**

(c) **Deferred tax assets not recognised:**

In accordance with the accounting policy set out in note 1(l), the Group has not recognised deferred tax assets in respect of deductible temporary differences of $14,810,000 (2005: $Nil) as it is not probable that future taxable profits against which the deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

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23 SHARE CAPITAL

	2006	2005
	$'000	*$'000*
Authorised:		
380,000,000 shares of $0.1 each	**38,000**	38,000
Issued and fully paid:		
222,529,000 shares of $0.1 each	**22,253**	22,253

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

24 RESERVES

(a) Group

	Share premium	Exchange reserve	Statutory surplus reserve	Other reserves	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1st April, 2004	37,741	(7,113)	10,583	4,516	192,810	238,537
Dividend approved in respect of the previous year (note 10(b))	—	—	—	—	(3,338)	(3,338)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	2,149	—	—	—	2,149
Transfer	—	—	2,204	71	(2,275)	—
Profit for the year	—	—	—	—	3,972	3,972
Dividend declared in respect of the current year (note 10(a))	—	—	—	—	(2,225)	(2,225)
At 31st March, 2005	37,741	(4,964)	12,787	4,587	188,944	239,095
At 1st April, 2005	37,741	(4,964)	12,787	4,587	188,944	239,095
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	5,605	—	—	—	5,605
Transfer	—	—	1,700	144	(1,844)	—
Loss for the year	—	—	—	—	(23,113)	(23,113)
At 31st March, 2006	**37,741**	**641**	**14,487**	**4,731**	**163,987**	**221,587**

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24 RESERVES *(Continued)*

(a) **Group** *(Continued)*

The exchange reserve has been set up and will be dealt with in accordance with the accounting policy adopted for foreign currency translation (note 1(o)).

According to the prevailing PRC laws and regulations, a wholly-owned foreign enterprise is required to transfer a certain percentage of its profit after taxation to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital of the enterprise. The transfer to the reserve has to be made before distribution of dividends to shareholders. The statutory surplus reserve can be used to make good previous years' losses, and are not distributable to shareholders.

Other reserves were set up by the Group's PRC subsidiaries in accordance with their articles of association. The amounts to be transferred to these reserves are determined by the respective board of directors. They can be used to convert into paid-up capital, and are not distributable to shareholders.

(b) **Company**

	Share premium	**Contributed surplus**	**Retained profits/ (accumulated losses)**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
At 1st April, 2004	37,741	67,360	3,380	108,481
Dividend approved in respect of the previous year (note 10(b))	—	—	(3,338)	(3,338)
Profit for the year (note 9)	—	—	2,255	2,255
Dividend declared in respect of the current year (note 10(a))	—	—	(2,225)	(2,225)
At 31st March, 2005	37,741	67,360	72	105,173
At 1st April, 2005	37,741	67,360	72	105,173
Loss for the year (note 9)	—	—	(737)	(737)
At 31st March, 2006	**37,741**	**67,360**	**(665)**	**104,436**

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24 RESERVES *(Continued)*

(b) Company *(Continued)*

The application of the share premium account is governed by the Companies Act 1981 of Bermuda (as amended) ("Companies Act").

The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1993 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act and the bye-laws of the Company, the contributed surplus is distributable to shareholders under certain circumstances.

The Company's reserves available for distribution to shareholders at 31st March, 2006 are $66,695,000 (2005: $67,432,000). The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2006.

25 CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of $382 million (2005: $405 million) granted to subsidiaries, of which $268 million (2005: $266 million) was utilised at 31st March, 2006.

26 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 6% (2005: 5%) and 27% (2005: 20%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any guarantee which would expose the Group to credit risk.

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26 FINANCIAL INSTRUMENTS *(Continued)*

(b) **Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As disclosed in note 18, the Group breached certain bank covenants but has received waivers from compliance with these covenants subsequent to the balance sheet date and the Directors are of the opinion that adequate banking facilities will continue to be made available to the Group to finance its operations in the foreseeable future.

(c) **Interest rate risk**

All the income-earning financial assets and interest-bearing financial liabilities of the Group are on a floating rate basis and reprice within one year. Their effective interest rates at the balance sheet date are as follows:

	2006	2005
	%	%
Cash at bank	**0.72**	0.72
Bank overdrafts	**7.75**	4.47
Bills payable	**5.37**	3.13
Bank loans	**5.40**	3.87
Obligations under finance leases	**—**	3.20

(d) **Foreign currency risk**

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollar and Renminbi. The Group monitors the net exposure and ensures that it is kept to an acceptable level.

(e) **Fair values**

All financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2006 and 2005, except for amounts due from subsidiaries which are interest-free and have no fixed terms of repayment. Due to the terms of the balances, it is not meaningful to measure their fair values.

The fair values of interest-bearing loans and borrowings and finance lease liabilities are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

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27 COMMITMENTS

(a) **Capital commitments outstanding at 31st March, 2006 not provided for in the financial statements were as follows:**

	Group	
	2006	2005
	$'000	*$'000*
Contracted for	**2,088**	36,359

(b) **At 31st March, 2006, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:**

	Group	
	2006	2005
	$'000	*$'000*
Within one year	**480**	411
After one year but within five years	**1,566**	1,500
After five years	**3,863**	4,197
	5,909	6,108

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to fifteen years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

28 RETIREMENT SCHEMES

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Company's and employees' contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to $20,000 of monthly compensation) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

Employees of the Group in the PRC are covered by appropriate local retirement schemes pursuant to local labour rules and regulations. The Group's annual contributions to these schemes represent defined contributions, and the Group has no further obligation.

The Group's contributions to the MPF Scheme and various PRC schemes for the year of $2,833,000 (2005: $2,715,000) are charged to the income statement.

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29 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

During the year, the Group sold packaging products to companies which are controlled by a Non-Executive Director amounting to $9,280,000 (2005: $13,587,000), under normal commercial terms.

Remuneration for key management personnel represents amounts paid to the Company's Directors and individuals with highest emoluments as disclosed in notes 7 and 8.

30 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.

31 ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31st March, 2006 to be Ka Chau Enterprises (B.V.I.) Ltd, incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty are as follows:

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

Impairments

Internal and external sources of information are reviewed by the Company at each balance sheet date to assess whether there is any indication that fixed assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect profit or loss in future years.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Impairments *(Continued)*

Impairment losses on receivables are assessed and provided based on the Directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the Directors when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in impairment losses would affect profit or loss in future years.

Going concern

As disclosed in note 1(b), the directors have prepared the financial statements on a going concern basis as they are of the opinion that the Group will be able to generate adequate cash flows from its operations and secure the necessary facilities from the banks in the next twelve months to enable the Group to operate as a going concern. This conclusion is arrived at after reviewing the cash flow forecast prepared by the Group's management and taking into account the outcome of ongoing discussions with its major banks. Any significant deviations from the assumptions adopted by management in preparing the cash flow forecast of the Group and discontinuation of bank facilities would affect the conclusion that the Group is able to continue as going concern.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR ENDED 31ST MARCH, 2006

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 31st March, 2006 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Company's operations and financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1st January, 2006
HKFRS 7	Financial instruments: disclosures	1st January, 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1st January, 2007

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33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR ENDED 31ST MARCH, 2006 *(Continued)*

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1st December, 2005 and would be first applicable to the Group's financial statements for the period beginning 1st April, 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.