1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at Unit 2608, Level 26, Tower II, Metroplaza, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 principal subsidiaries are set out in note 18 to the financial statements.

The financial statements on pages 29 to 92 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The financial statements for the year ended 31 March 2006 were approved by the board of directors on 24 July 2006.

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 April 2005, the Group has adopted for the first time the new or revised standards and interpretations of HKFRS, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) Int-21	Income Taxes – Recovery of Revalued Non-Depreciated Assets

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2005 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2005 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 March 2005.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 1

The application of HKAS 1 has resulted in a change in the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.2 Adoption of HKAS 17

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at valuation less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively. Where the land and buildings elements cannot be allocated reliably, the entire lease payments continues to be treated as finance leases and included in property, plant and equipment.

2.3 Adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies.

In previous years, goodwill arising on acquisition prior to 1 April 2001 was eliminated against reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisition on or after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

In accordance with the provisions of HKFRS 3, with respect to goodwill previously capitalised on the consolidated balance sheet, the amortisation of goodwill has ceased from 1 April 2005 and the accumulated amortisation at 31 March 2005 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is an indication of impairment.

In respect of goodwill previously eliminated against reserve, HKFRS 3 does not require entities to recognise that goodwill in profit or loss when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. Moreover, the Group is not required nor permitted to restate goodwill previously eliminated against reserve. Goodwill previously recognised in reserves has been transferred to retained profits on 1 April 2005.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.4 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 April 2005, equity-settled share-based payment transactions were treated as changes in the entity's equity only upon execution. HKFRS 2 requires all goods and services received in the course of share-based payment transactions to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash. When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in profit or loss.

According to the transitional provisions of HKFRS 2, all equity-settled share-based payments granted after 7 November 2002 that had not vested at the first application of this standard are required to be recognised retrospectively in the Group's financial statements.

As the Group's share options were granted before 7 November 2002, in accordance with the transitional provisions, the Group is not required to apply the accounting provisions of HKFRS 2.

2.5 Adoption of HKAS 32 and HKAS 39

Prior to the adoption of HKAS 39, securities that are not intended to be held for an identified long term purposes were measured at fair value. Changes in fair value of these securities were recognised in income statement as they arose.

On the adoption of HKAS 39, the Group classified its investments as fair value through profit and loss and measured its financial assets at fair value.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount should be recognised in the opening balance of retained earnings on 1 April 2005 and the comparative figures should not be restated. However, the adoption of these standards does not result in any changes in the opening balance of retained profits on 1 April 2005.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.6 Adoption of HKAS 40 and HK (SIC) Int-21

In previous years, investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

The adoption of HKAS 40 has led to the changes in the fair value of investment properties being recorded in the income statement. The revaluation surplus or deficit of investment properties of the Group were all charged to the income statements in previous years, therefore, no adjustment to the Group's retained profits or revaluation reserve is required.

The adoption of revised HK(SIC) Int-21 has resulted in a change in the accounting policy relating to the deferred taxation of the Group's investment property. In accordance with the provision of HK(SIC) Int-21, the deferred tax liability arising from the revaluation of investment properties is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In previous years, the carrying amount of that asset is expected to be recovered through sale. However, there was no significant impact on the deferred tax liability in this respect.

2.7 Other standards adopted

The adoption of HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 24, 27, 33 and 37 did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.8 The effect of changes in the accounting policies on consolidated income statement is summarised below:

	Effect of adopting	
	HKAS 17#	**Total**
	HK$'000	HK$'000
Year ended 31 March 2005		
(Increase)/Decrease in profit		
Decrease in surplus on revaluation of property, plant and equipment	320	320
Decrease in depreciation	(742)	(742)
Increase in amortisation of prepaid lease payments	373	373
Total increase in profit	**(49)**	**(49)**
Increase in basic earnings per share (HK cents)	**0.01**	**0.01**
Year ended 31 March 2006		
(Increase)/Decrease in profit		
Decrease in surplus on revaluation of property, plant and equipment	663	663
Decrease in depreciation	(1,090)	(1,090)
Increase in amortisation of prepaid lease payments	373	373
Total increase in profit	**(54)**	**(54)**
Increase in basic earnings per share (HK cents)	**0.01**	**0.01**

adjustments which take effect retrospectively

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.9 The effect of changes in the accounting policies on the consolidated balance sheet is summarised below:

	Effect of adopting		
		HKAS 32# &	
	HKAS 17#	HKAS 39*	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2004			
Increase/(Decrease) in assets/liabilities			
Property, plant and equipment	(31,330)	–	(31,330)
Prepaid lease payments	24,133	–	24,133
Other investments	–	(4,304)	(4,304)
Financial assets at fair value through profit or loss	–	4,304	4,304
Deferred tax liabilities	(2,330)	–	(2,330)
Increase/(Decrease) in equity			
Asset revaluation reserve	(12,553)	–	(12,553)
Retained profits	7,686	–	7,686
At 31 March 2005 and 1 April 2005			
Increase/(Decrease) in assets/liabilities			
Property, plant and equipment	(30,016)	–	(30,016)
Prepaid lease payments	14,875	–	14,875
Other investments	–	(37,921)	(37,921)
Financial assets at fair value through profit or loss	–	37,921	37,921
Deferred tax liabilities	(2,894)	–	(2,894)
Increase/(Decrease) in equity			
Asset revaluation reserve	(18,408)	–	(18,408)
Retained profits	6,161	–	6,161

* adjustments which take effect prospectively from 1 April 2005

\# adjustments which take effect retrospectively

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.9 The effect of changes in the accounting policies on the consolidated balance sheet is summarised below (Continued):

	Effect of adopting		
		HKAS 32# &	
	HKAS 17#	HKAS 39*	Total
	HK$'000	HK$'000	HK$'000
At 31 March 2006			
Increase/(Decrease) in assets/liabilities			
Property, plant and equipment	(34,300)	–	(34,300)
Prepaid lease payments	14,502	–	14,502
Other investments	–	(35,872)	(35,872)
Financial assets at fair value through profit or loss	–	35,872	35,872
Deferred tax liabilities	(3,240)	–	(3,240)
Increase/(Decrease) in equity			
Asset revaluation reserve	(22,773)	–	(22,773)
Retained profits	6,215	–	6,215

* adjustments which take effect prospectively from 1 April 2005

\# adjustments which take effect retrospectively

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.10 New Standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21(Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – Int 8	Scope of HKFRS 2 [5]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 January 2006

3 Effective for annual periods beginning on or after 1 December 2005

4 Effective for annual periods beginning on or after 1 March 2006

5 Effective for annual periods beginning on or after 1 May 2006

6 Effective for annual periods beginning on or after 1 June 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain leasehold land and buildings, investment properties, financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is presented separately in the consolidated balance sheet. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Goodwill

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 April 2005 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

Goodwill arising on acquisition prior to 1 April 2001 held in reserves is charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which goodwill relates becomes impaired.

For previously capitalised goodwill arising on acquisition after 1 April 2001, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually and whenever there is indication that the cash generating unit to which the goodwill relates becomes impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Property, plant and equipment

All buildings and certain land are recognised at fair value, based on their use at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at each balance sheet date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of these land and buildings is credited to the asset revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3.10. To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase dealt with in the asset revaluation reserve. A decrease in net carrying amount of buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the asset revaluation reserve and the remaining decrease recognised in income statement.

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 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	Over the lease terms
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and buildings.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Investment properties

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Gains or losses arising from either changes in the fair value or the sale of an investment property is included in the profit or loss for the period in which they arise.

3.7 Leases

(a) Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

(b) Operating leases

(i) Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(ii) Prepaid lease payments are up-front payments to acquire the land use rights/leasehold land. The payments are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets

The Group's financial assets mainly include cash and cash equivalents, trade and bills receivables, other receivables, and financial assets at fair value through profit or loss.

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

In previous years, the Group classified its investments in debt and equity securities other than subsidiaries as other investments. Such investments were not intended to be held for an identified long term purpose and were stated in the balance sheet at fair values. The gains or losses arising from changes in the fair values of such investments were credited or charged to the income statement in the period in which they arose.

From 1 April 2005 onwards, the Group classifies its financial assets as financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

(b) *Trade and bills receivables and other receivables*

These receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their fair value is recognised in income statement. These receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 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 in the ordinary course of business less any applicable selling expenses.

3.10 Impairment of assets

Goodwill, property, plant and equipment, prepaid lease payments and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows. Impairment loss recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 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.

3.12 Financial liabilities

The Group's financial liabilities mainly include bank borrowings under current or non-current liabilities and overdrafts, trade payables, amount due to a related company, accrued liabilities and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

(a) *Borrowings*

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

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

(b) *Trade payables and amount due to a related company*

Trade payables and amount due to a related company are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Pension obligations and short term employee benefits

(a) *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.

(b) *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 with a vesting period of five years, 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Share-based employee compensation

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. As the Group's share options were granted before 7 November 2002, in accordance with the transitional provisions, the Group is not required to apply the accounting provisions of HKFRS 2. 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.

3.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3.17 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Foreign currency translation (Continued)

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK$ at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into HK$ at the closing rates.

3.18 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity attributable to equity holders of the Company of the balance sheet, until they have been approved by the equity holders of the Company in a general meeting. When these dividends have been approved by the equity holders of the Company 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.

3.19 Recognition of revenue

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sales of goods are recognised upon transfer of risk to the customer and collectibility of the related receivables is reasonably assured.

Provision of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of goodwill, property, plant and equipment, investment properties, prepaid lease payments, inventories, trade and bills receivables, prepayments, deposits and other receivables, tax recoverable, financial assets at fair value through profit or loss and operating cash. Segment liabilities comprise trade payables, accrued liabilities and other payables, tax payable, interest-bearing borrowings and provision for deferred tax.

Capital expenditure comprises additions to property, plant and equipment, and prepaid lease payments.

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.

3.21 Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Company/Group; (2) has an interest in the Company that gives it significant influence over the Company/Group; or (3) has joint control over the Company/Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(b) Estimate fair value of leasehold land and buildings and investment properties

The Group's leasehold land and buildings and investment properties were stated at fair value in accordance with the accounting policies stated in notes 3.5 and 3.6, respectively, to the financial statements. The fair value of the leasehold land and buildings and investment properties are determined by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited, and the fair value of the leasehold land and buildings and investment properties are set out in notes 14 and 15, respectively, to the financial statements. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, reasonable consideration has been given to the underlying assumptions. For leasehold land and buildings and investment properties in Hong Kong, estimates are mainly based on market conditions existing at the balance sheet date. For leasehold land and buildings outside Hong Kong estimates are made on the basis of Depreciated Replacement Cost. These estimates are regularly compared to actual market data and actual transactions in the market.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

(a) *Provision for impairment of receivables*

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(b) *Finance lease and operating lease*

Certain properities are combined leases of land and buildings. It is not possible to obtain a reliable estimate of the split of the fair values of the lease interest between land and buildings at inception. Where the land and buildings elements cannot be allocated reliably, the entire lease payments continues to be treated as finance leases and included in property, plant and equipment.

5. 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.

5. SEGMENT INFORMATION (Continued)

5.1 Business segments

The following tables present revenue, profit and 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	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Segment revenue:										
Sales to external customers	**425,207**	383,364	**58,343**	51,297	**70,793**	67,522	**–**	–	**554,343**	502,183
Intersegment sales	**11,462**	9,469	**77**	74	**291**	260	**(11,830)**	(9,803)	**–**	–
Total	**436,669**	392,833	**58,420**	51,371	**71,084**	67,782	**(11,830)**	(9,803)	**554,343**	502,183
Segment results	**24,774**	18,072	**12,098**	10,042	**8,219**	8,567	**–**	–	**45,091**	36,681
Interest income									**2,879**	2,083
Profit from operations									**47,970**	38,764
Finance costs									**(1,558)**	(638)
Profit before income tax									**46,412**	38,126
Income tax expense									**(6,347)**	(3,175)
Profit for the year									**40,065**	34,951

5. SEGMENT INFORMATION (Continued)

5.1 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	
	2006 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000 (Restated)
Segment asset	480,224	462,426	24,864	23,105	20,771	22,410	–	–	525,859	507,941
Segment liabilities	114,051	124,265	12,984	13,306	15,957	13,746	–	–	142,992	151,317
Other segment information:										
Depreciation	23,001	21,875	3,027	3,710	1,503	1,121	–	–	27,531	26,706
Amortisation of prepaid lease payments	373	373	–	–	–	–	–	–	373	373
Amortisation of goodwill	–	105	–	–	–	–	–	–	–	105
Impairment of goodwill	211	–	–	–	–	–	–	–	211	–
Capital expenditure	16,254	32,146	4,864	482	594	366	–	–	21,712	32,994
Revaluation surplus of leasehold land and buildings recognised in the income statement	(1,673)	(1,445)	–	–	–	–	–	–	(1,673)	(1,445)
Fair value gain on investment properties recognised in the income statement	(1,758)	(2,512)	–	–	–	–	–	–	(1,758)	(2,512)
Net loss on financial assets at fair value through profit or loss/other investments	71	183	–	–	–	–	–	–	71	183
Other non-cash expenses	6,692	2,080	162	–	–	1,039	–	–	6,854	3,119

5. SEGMENT INFORMATION (Continued)

5.2 Geographical segments

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

	Hong Kong		Elsewhere in the PRC		Europe and other countries		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Segment revenue:								
Sales to external customers	**426,596**	421,622	**17,474**	14,695	**110,273**	65,866	**554,343**	502,183
Other segment information:								
Segment assets	**313,073**	331,456	**212,786**	176,485	**–**	–	**525,859**	507,941
Capital expenditure	**3,091**	3,222	**18,621**	29,772	**–**	–	**21,712**	32,994

6. REVENUE

Revenue, which is also the Group's 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.

7. OTHER OPERATING INCOME

	2006	2005
	HK$'000	HK$'000 (Restated)
Reversal of write down of inventories	**1,490**	–
Recovery of provision for impairment on receivables	**–**	136
Exchange gain, net	**–**	27
Gross rental income from investment properties	**1,991**	1,781
Interest income	**2,879**	2,083
Dividend income from listed investments	**252**	46
Gain on disposal of listed investments	**1,504**	308
Gain on disposal of unlisted investments	**335**	193
Gain on disposal of property, plant and equipment	**–**	60
Fair value gain on investment properties	**1,758**	2,512
Surplus on revaluation of leasehold land and buildings	**1,673**	1,445
Sundry income	**1,263**	1,682
	13,145	10,273

8. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	2006 HK$'000	2005 HK$'000 (Restated)
Amortisation of goodwill	–	105
Amortisation of prepaid lease payments*	373	373
Auditors' remuneration	1,005	850
Cost of inventories sold	360,919	334,982
Cost of services rendered	40,724	36,309
Depreciation**	27,531	26,706
Exchange loss, net	1,214	–
Impairment of goodwill (note 17(c))	211	–
Loss on disposal of property, plant and equipment	41	–
Net loss on financial assets at fair value through profit or loss/other investments	71	183
Operating lease charges on land and buildings***	5,838	4,509
Provision for impairment		
– trade receivables	4,426	1,408
– other receivables	2,251	1,711
Staff costs (excluding directors' remuneration)		
Wages and salaries****	87,412	75,448
Provision for long service payment	161	–
Net pension scheme contributions	2,893	2,523
and crediting:		
Rental income from investment properties, net of outgoings	1,823	1,437

* Amortisation of prepaid lease payments of HK$121,000 (2005: HK$121,000) has been expensed in cost of sales and HK$252,000 (2005: HK$252,000) in administrative expenses.

** Depreciation expense of HK$22,481,000 (2005: HK$21,458,000) has been expensed in cost of sales and HK$5,050,000 (2005: HK$5,248,000) in administrative expenses.

*** Operating lease charges on land and buildings of HK$1,762,000 (2005: HK$986,000) has been expensed in cost of sales and HK$4,076,000 (2005: HK$3,523,000) in administrative expenses.

**** Wages and salaries of HK$42,372,000 (2005: HK$36,062,000) has been expensed in cost of sales and HK$45,040,000 (2005: HK$39,386,000) in administrative expenses.

9. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	**1,558**	408
Interest on bank loan not wholly repayable within five years	**–**	230
	1,558	638

10. INCOME TAX EXPENSE

The tax charge comprises:

	Group	
	2006	2005
	HK$'000	HK$'000
Current tax – Hong Kong		
Tax for the year	**3,909**	4,854
Under provision in respect of prior years	**166**	430
	4,075	5,284
Current tax – overseas		
Tax for the year	**1,416**	716
Over provision in respect of prior years	**(1,716)**	(903)
	(300)	(187)
Deferred tax		
Current year – tax charge/(credit) *(note 28)*	**2,572**	(1,922)
	6,347	3,175

10. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) 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% (2005: 17.5%).

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

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Profit before income tax	**46,412**	38,126
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**7,638**	6,637
Tax effect on non-deductible expense	**1,685**	1,826
Tax effect on non-taxable revenue	**(3,850)**	(3,945)
Tax effect of utilisation of tax losses not previously recognised	**(220)**	(315)
Tax effect on tax loss not recognised	**472**	83
Tax effect on taxable temporary differences not recognised	**2,172**	(638)
Over provision in prior years	**(1,550)**	(473)
Income tax expense	**6,347**	3,175

11. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$40,662,000 (2005: HK$34,951,000), a profit of HK$20,817,000 (2005: HK$16,801,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends attributable to the year

	2006 HK$'000	2005 HK$'000
Interim dividend of HK1 cent per ordinary share (2005: HK1 cent)	**4,867**	4,867
Additional final and special dividends in respect of the previous year	**–**	131
Proposed final dividend of HK3 cents per ordinary share (2005: HK3 cents)	**14,601**	14,601
	19,468	19,599

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained profits for the year ended 31 March 2006.

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

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

	2006 HK$'000	2005 HK$'000
Additional final and special dividends in respect of the previous year	**–**	131
Final divided in respect of the previous financial year	**14,571**	14,470

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$40,662,000 (2005: HK$34,951,000) and on the weighted average of 486,706,061 (2005: 485,147,842) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2006 was based on the Group's profit attributable to shareholders of HK$40,662,000 (2005: HK$34,951,000). The weighted average number of ordinary shares used in the calculation was 486,706,061 (2005: 485,147,842) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 293,967 (2005: 902,637) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000 (Restated)	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2004						
Cost or valuation	84,430	202,963	23,492	13,530	6,413	330,828
Accumulated depreciation	–	(116,840)	(19,233)	(7,576)	(4,987)	(148,636)
Net book amount	84,430	86,123	4,259	5,954	1,426	182,192
Year ended 31 March 2005						
Opening net book amount	84,430	86,123	4,259	5,954	1,426	182,192
Additions	6,832	20,759	2,942	1,129	1,332	32,994
Disposals and write-off, net	(6,310)	(114)	–	–	(81)	(6,505)
Revaluation surplus	10,118	–	–	–	–	10,118
Depreciation	(2,014)	(19,862)	(2,134)	(1,944)	(752)	(26,706)
Closing net book amount	93,056	86,906	5,067	5,139	1,925	192,093
At 31 March 2005 and 1 April 2005						
Cost or valuation	93,056	223,608	26,434	14,659	7,234	364,991
Accumulated depreciation	–	(136,702)	(21,367)	(9,520)	(5,309)	(172,898)
Net book amount	93,056	86,906	5,067	5,139	1,925	192,093
Year ended 31 March 2006						
Opening net book amount	93,056	86,906	5,067	5,139	1,925	192,093
Additions	4,062	12,340	2,106	1,416	1,788	21,712
Disposals and write-off, net	–	–	–	(200)	–	(200)
Revaluation surplus	3,636	–	–	–	–	3,636
Depreciation	(2,583)	(20,139)	(2,133)	(1,853)	(823)	(27,531)
Closing net book amount	**98,171**	**79,107**	**5,040**	**4,502**	**2,890**	**189,710**
At 31 March 2006						
Cost or valuation	98,171	235,948	28,540	11,875	8,236	382,770
Accumulated depreciation	–	(156,841)	(23,500)	(7,373)	(5,346)	(193,060)
Net book amount	**98,171**	**79,107**	**5,040**	**4,502**	**2,890**	**189,710**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

At the balance sheet date, the Group's leasehold land and buildings in Hong Kong were carried at their valuations as at 31 March 2006 performed by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent firm of professional valuers, on the basis of Open Market Value, at HK$21,430,000. The resulting revaluation surplus amounting to HK$1,673,000 and HK$447,000 have been credited to the income statement and the asset revaluation reserve respectively.

At the balance sheet date, the Group's leasehold buildings outside Hong Kong were carried at their valuations as at 31 March 2006 which was performed by LCH, on the basis of Depreciated Replacement Cost, at HK$76,500,000. The resulting revaluation surplus amounting to HK$1,516,000 is recognised in the asset revaluation reserve.

Had the Group's leasehold land and buildings in Hong Kong been valued at cost less accumulated depreciation, their carrying amounts would have been restated at HK$19,433,000 (2005: HK$19,904,000).

Had the Group's leasehold land and buildings outside Hong Kong been valued at cost less accumulated depreciation, their carrying amounts would have been restated at HK$16,227,000 (2005: HK$14,244,000).

At the balance sheet date, certain of the Group's leasehold land and buildings amounting to HK$19,490,000 (2005: HK$17,848,000) were pledged to secure the bank borrowings and general banking facilities granted to the Group as further detailed in notes 24 and 30 to the financial statements respectively.

Non-separable leasehold land and buildings of HK$11,280,000 (2005: HK$9,878,000) are held on medium term leases between 10 to 50 years.

The analysis of the cost or valuation at 31 March 2006 of the above assets is as follows:

	Leasehold land and buildings HK$'000 (Restated)	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	241	235,948	28,540	11,875	8,236	284,840
At valuation	97,930	–	–	–	–	97,930
	98,171	235,948	28,540	11,875	8,236	382,770

The analysis of the cost or valuation at 31 March 2005 of the above assets is as follows:

	Leasehold land and buildings HK$'000 (Restated)	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	1,074	223,608	26,434	14,659	7,234	273,009
At valuation	91,982	–	–	–	–	91,982
	93,056	223,608	26,434	14,659	7,234	364,991

15. INVESTMENT PROPERTIES

All of the Group's property interests that are held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

	Group	
	2006	2005
	HK$'000	HK$'000
Changes to the carrying amounts presented in the balance sheet are summarised as follows:		
Carrying amount at 1 April	**16,462**	13,950
Net gain from fair value adjustments	**1,758**	2,512
Carrying amount at 31 March	**18,220**	16,462

The Group's investment properties were revalued, on the basis of Open Market Value, at HK$18,220,000 by LCH as at 31 March 2006. The resulting revaluation surplus amounting to HK$1,758,000 (2005: HK$2,512,000) was credited to the income statement.

The investment properties are leased to third parties under operating leases, further summary details of operating lease arrangements in respect of rental receivables are included in note 33 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$8,260,000 (2005: HK$7,454,000) were pledged to secure general banking facilities granted to the Group and bank borrowings as further detailed in note 24 and 30 to the financial statements respectively.

Further particulars of the Group's investment properties are included on pages 93 and 94.

16. PREPAID LEASE PAYMENTS

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

	Group	
	2006	2005
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**10,710**	10,969
Outside Hong Kong held on:		
Leases of between 10 to 50 years	**3,792**	3,906
	14,502	14,875

Bank borrowings are secured on land for the carrying amount of HK$9,756,000 (2005: HK$9,992,000) *(Note 24)*.

	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 April	**14,875**	15,248
Annual charges of prepaid lease payments	**(373)**	(373)
Carrying amount at 31 March	**14,502**	14,875

17. GOODWILL

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying value at 1 April	**211**	316
Amortisation charge for the year	**–**	(105)
Impairment of goodwill *(note c)*	**(211)**	–
Carrying value at 31 March	**–**	211
Gross amount at 31 March *(note b)*	**211**	527
Accumulated amortisation	**–**	(316)
Impairment of goodwill *(note c)*	**(211)**	–
Carrying value at 31 March	**–**	211

Notes:

(a) The amount of goodwill capitalised as an asset as at 31 March 2002, arising from the acquisition of an additional equity interest in a subsidiary during the year ended 31 March 2002.

(b) In the previous years, goodwill was amortised over its estimated useful life of 5 years. As a result of the adoption of HKFRS 3 in the current year, no further amortisation is provided and the accumulated amortisation on 1 April 2005 of HK$316,000 was eliminated against the gross amount of goodwill of HK$527,000.

(c) The Group undertook an annual impairment review of the goodwill as at 31 March 2006. The carrying amount of the business unit exceeds its recoverable amount which was determined based on value-in-use calculations, and the corresponding goodwill amounted to HK$211,000 was then fully written off.

(d) At 31 March 2006, 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 (2005: HK$1,408,000) has been transferred to retained profits on 1 April 2005.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**116,995**	116,995

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

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company Direct	Percentage of equity interests held by the Company Indirect	Principal activities	Place of operations
Cheong Ming (B.V.I.) Enterprises Limited	British Virgin Islands	HK$10,000 Ordinary shares	100%	–	Investment holding	Hong Kong
CM Investment Enterprises Limited	British Virgin Islands	US$1 Ordinary share	100%	–	Investment holding	Hong Kong
Capital Asset Management Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Property and investment holding	Hong Kong
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	Hong Kong
Chun Ming Printing Factory Company Limited	Hong Kong	HK$150,000 Ordinary shares	–	100%	Manufacture and sale of hangtags, labels and shirt paper boards	Hong Kong and PRC
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	PRC

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company Direct	Indirect	Principal activities	Place of operations
Dongguan Cheong Ming Printing Co., Ltd.	PRC**	Registered capital of HK$79,930,000	–	100%	Manufacture and sale of paper cartons and plastic bags	PRC
Capital Financial Press Limited	Hong Kong	HK$800,000 Ordinary shares	–	100%	Commercial printing	Hong Kong
Capital Translation Services Limited	Hong Kong	HK$500,000 Ordinary shares	–	100%	Provision of translation services	Hong Kong
32 Print.com Limited	Hong Kong	HK$3,750,000 Ordinary shares	–	100%	Digital printing	Hong Kong
Harvest King Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Trading of hangtags, labels and shirt paper boards	Hong Kong
Aegina (B.V.I.) Limited	British Virgin Islands	US$1 Ordinary share	–	100%	Investment holding	Hong Kong
深圳市大昌明包裝有限公司	PRC***	Registered capital of RMB3,000,000	–	100%	Sale of paper cartons and plastic bags	PRC
上海發絲達印刷有限公司	PRC**	Registered capital of HK$10,000,000	–	55%	Manufacture and sale of hangtags, labels and shirt paper boards	PRC

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

* 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 subsidiary is registered as a wholly-foreign owned enterprise under PRC law.

*** The subsidiary is incorporated as a limited liability company under local jurisdictions.

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, results in particulars of excessive length.

(b) The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

19. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**33,899**	32,160
Work in progress	**4,178**	6,786
Finished goods	**11,791**	6,903
	49,868	45,849

20. TRADE AND BILLS RECEIVABLES

	Group	
	2006	2005
	HK$'000	HK$'000
Trade receivables	**114,903**	98,719
Less: provision for impairment of receivables	**(4,426)**	(1,408)
Trade receivables – net	**110,477**	97,311
Bills receivables	**–**	3,504
Total trade and bills receivables	**110,477**	100,815

Trade receivables generally have credit terms of 30 to 120 days.

The Group has recognised a loss of HK$4,426,000 (2005: HK$1,408,000) for the impairment of its trade receivables during the year ended 31 March 2006. The loss has been included in administrative expenses.

At 31 March 2006, the aging analysis of the trade and bills receivables, based on invoiced date and net of provisions, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current to 30 days	**43,163**	38,684
31 to 60 days	**17,427**	21,828
61 to 90 days	**22,344**	24,168
Over 90 days	**27,543**	16,135
	110,477	100,815

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong listed equity investments	**3,839**	1,909
Overseas listed equity investments	**8,071**	–
Overseas unlisted equity investments	**4,314**	10,541
Overseas unlisted debt investments	**19,648**	25,471
	35,872	37,921

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

Changes in fair values of financial assets at fair value through profit or loss are recorded in administrative expenses in the income statement.

Financial assets at fair value through profit or loss of HK$2,254,000 (2005: Nil) are pledged to secure certain bank borrowings (Note 24).

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash in hand, bank balances, and time deposits with original maturity of less than three months	**89,528**	84,853	**311**	350
Cash placed at a securities brokerage firm	**971**	1,366	**–**	–
Time deposits with original maturity of more than three months	**8,014**	5,670	**–**	–
Cash and cash equivalents per consolidated balance sheet	**98,513**	91,889	**311**	350
Less: Time deposits with original maturity of more than three months	**(8,014)**	(5,670)	**–**	–
Bank overdrafts, secured	**(1,365)**	(1,369)	**–**	–
Cash and cash equivalents per consolidated cash flow statement	**89,134**	84,850	**311**	350

22. CASH AND CASH EQUIVALENTS (Continued)

The effective interest rate of time deposits, denominated in HK$ and United States dollars ("US$") with original maturity of less than three months are 3.2% to 4.7% per annum. They have a maturity of 2 days to 180 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

The effective interest rate of time deposits, denominated in HK$ and US$, with original maturity of more than three months are 3.3% to 4.4% per annum. They have a maturity of 2 years to 5 years and are eligible for immediate cancellation without receiving any interest for the last deposit period.

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$8,386,000 (2005: HK$6,572,000). 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.

23. TRADE PAYABLES AND AMOUNT DUE TO A RELATED COMPANY

	Group	
	2006	2005
	HK$'000	HK$'000
Trade payable	**64,790**	68,814
Amount due to a related company	**206**	–
	64,996	68,814

The amount due to a related company is trading in nature. At 31 March 2006, the aging analysis of the trade payables including amount due to a related company, base on invoiced date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current to 30 days	**28,068**	32,706
31 to 60 days	**12,989**	9,416
61 to 90 days	**7,860**	13,161
Over 90 days	**16,079**	13,531
	64,996	68,814

24. INTEREST-BEARING BORROWINGS

	Group	
	2006	2005
	HK$'000	HK$'000
Bank overdrafts, secured	**1,365**	1,369
Bank loans, secured	**36,598**	23,910
	37,963	25,279

	Group	
	2006	2005
	HK$'000	HK$'000
Bank loans repayable		
Within one year or on demand	**15,498**	11,910
In the second year	**5,400**	2,400
In the third to fifth years, inclusive	**15,700**	7,200
Over five years	**–**	2,400
Trust receipt loans and bank overdrafts repayable within one year or on demand	**1,365**	1,369
	37,963	25,279
Less: Current portion due within one year included under current liabilities	**(16,863)**	(13,279)
Non-current portion included under long-term liabilities	**21,100**	12,000

The interest-bearing borrowings were secured by the pledge of certain land and buildings under property, plant and equipment, investment properties, prepaid leasehold land and financial assets at fair value through profit or loss with net book amount of approximately HK$19,490,000, HK$8,260,000, HK$9,756,000 and HK$2,254,000, respectively, as at 31 March 2006, the details are set out in notes 14, 15 and 16 and 21 respectively, to the financial statements.

Details of the loans denominated in HK$ and Euro ("EUR") are stated below.

	Loan amount	**Interest rate**	**Repayment terms**
	HK$'000		
Loans denominated in HK$	26,500	HIBOR + 1% p.a.	Payable within 5 years
Loans denominated in EUR	10,098	4.12% p.a. or IBOR + 1.5% p.a.	Payable within 1 year

The carrying amounts of interest-bearing borrowings approximate their fair value.

25. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
486,706,061 ordinary shares of HK$0.10 each	**48,671**	48,671

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

	Note:	HK$'000	Number of shares
At 1 April 2004		48,233	482,331,061
Exercise of share options	(a)	438	4,375,000
At 31 March 2005		48,671	486,706,061
At 1 April 2005 and 31 March 2006		**48,671**	**486,706,061**

Note:

(a) The subscription rights attaching to 2,500,000 share options and 1,875,000 share options were exercised at the subscription price of HK$0.3507 and HK$0.224 per share respectively, resulting in the issue of 4,375,000 ordinary shares of HK$0.10 each for a total consideration, after expenses, of HK$1,293,000.

26. 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 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 2006, there were 1,125,000 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.

26. 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	Year ended 31 March 2006 Number of share options: As at 1 April 2005	Cancelled during the year	Exercised during the year	Lapsed during the year	As at 31 March 2006	Date of grant of share options	Exercise period of share options	Exercise price of share options** HK$	Price of Company's shares***: At grant date of options HK$	At exercise date of options**** HK$
Other employees										
In aggregate	625,000	–	–	–	625,000*	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	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
	1,125,000	–	–	–	1,125,000					

26. SHARE OPTION SCHEMES (Continued)

(b) New Scheme (Continued)

Name or category of participant	Year ended 31 March 2005 Number of share options: As at 1 April 2004	Cancelled during the year	Exercised during the year	Lapsed during the year	As at 31 March 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options** HK$	Price of Company's shares***: At grant date of options HK$	At exercise date of options**** HK$
Directors										
Lui Chi	1,250,000	–	(1,250,000)	–	–	30 October 1997	30 October 1997to 26 December 2006	0.3507	0.5300	0.5000
	1,875,000	–	(1,875,000)	–	–	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	0.5000
	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	0.5000
	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	–	–	(7,500,000)	1,125,000					
	13,000,000	–	(4,375,000)	(7,500,000)	1,125,000					

26. 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 2006.

** 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 price of the Company's shares disclosed as at the date of the exercise of the share options is the Stock Exchange's closing price of the Company as at the date of the exercise of the share options.

As at 31 March 2006, the Company had 1,125,000 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 1,125,000 additional ordinary shares and cash proceeds to the Company of approximately HK$765,000 before the related share issue expenses.

27. RESERVES

Group

	2006	2005
	HK$'000	HK$'000
		(Restated)
Share premium account	**66,765**	66,765
Contributed surplus	**34,080**	34,080
Asset revaluation reserve	**19,324**	15,468
Goodwill reserve	**–**	(1,408)
Exchange reserve	**5**	–
Retained profits	**198,233**	178,447
	318,407	293,352

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 2004	65,910	116,795	4,919	187,624
Exercise of share options (note 25(a))	855	–	–	855
Profit for the year	–	–	16,801	16,801
2004 final and special dividends proposed	–	–	14,470	14,470
2004 final and special dividends paid	–	–	(14,601)	(14,601)
Interim dividend	–	–	(4,867)	(4,867)
Proposed final dividend	–	–	(14,601)	(14,601)
At 31 March 2005 and 1 April 2005	66,765	116,795	2,121	185,681
Profit for the year	–	–	20,817	20,817
2005 final dividend proposed	–	–	14,601	14,601
2005 final dividend paid	–	–	(14,601)	(14,601)
Interim dividend	–	–	(4,867)	(4,867)
Proposed final dividend	–	–	(14,601)	(14,601)
At 31 March 2006	**66,765**	**116,795**	**3,470**	**187,030**

27. RESERVES (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.

28. DEFERRED TAX

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

Group

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
Balance at 1 April 2004 (Restated)	2,091	1,405	–	3,496
Credit to income for the year	(922)	–	(1,000)	(1,922)
Credit to equity for the year	–	1,918	–	1,918
Balance at 31 March 2005 (Restated)	1,169	3,323	(1,000)	3,492
Credit to income for the year	1,572	–	1,000	2,572
Charge to equity for the year	–	(1,893)	–	(1,893)
Balance at 31 March 2006	**2,741**	**1,430**	**–**	**4,171**

The net deferred tax asset was not recognised as at the balance sheet date in respect of tax losses of HK$7,608,000 (2005: HK$6,041,000) and general provisions of HK$1,205,000 (2005: HK$681,000) 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 credited directly to equity.

29. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

29.1 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:

	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Year ended 31 March 2006					
Executive directors:					
Mr. Lui Chi	–	1,776	1,000	–	2,776
Mr. Lui Shing Ming, Brian	–	2,016	–	190	2,206
Mr. Lui Shing Cheong	–	1,584	–	146	1,730
Mr. Lui Shing Chung, Victor	–	1,440	–	132	1,572
Mr. Lung Wai Kee	–	960	110	51	1,121
Independent non-executive directors:					
Dr. Lam Chun Kong	100	–	–	–	100
Mr. Lo Wing Man	100	–	–	–	100
Dr. Ng Lai Man, Carmen	120	–	–	–	120
	320	7,776	1,110	519	9,725
Year ended 31 March 2005					
Executive directors:					
Mr. Lui Chi	–	1,776	141	–	1,917
Mr. Lui Shing Ming, Brian	–	1,991	–	188	2,179
Mr. Lui Shing Cheong	–	1,440	113	144	1,697
Mr. Lui Shing Chung, Victor	–	1,296	137	132	1,565
Mr. Lung Wai Kee	–	936	70	50	1,056
Independent non-executive directors:					
Dr. Lam Chun Kong	100	–	–	–	100
Mr. Lo Wing Man	100	–	–	–	100
Dr. Ng Lai Man, Carmen	65	–	–	–	65
	265	7,439	461	514	8,679

29. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

29.1 Directors' remuneration (Continued)

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

	Group	
	2006	2005
	Number of directors	Number of directors
Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**2**	3
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**1**	–

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.

29.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years were also directors and their emoluments are reflected in the analysis presented above.

30. BANKING FACILITIES

At 31 March 2006, general banking facilities available to the Group amounted to HK$126,100,000 (2005:HK$89,900,000). The banking facilities utilised by the Group amounted to HK$39,285,000 (2005: HK$27,151,000) as at 31 March 2006.

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

(a) legal charges on certain of the Group's leasehold land and buildings (note 14);

(b) legal charges on certain of the Group's investment properties (note 15);

(c) legal charges on certain of the Group's leasehold land (note 16);

(d) legal charges on certain of the Group's financial assets at fair value through profit or loss (note 21).

(e) corporate guarantees from the Company (note 31);

31. CONTINGENT LIABILITIES

At 31 March 2006, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK$104,900,000 (2005: HK$89,900,000) (note 30).

32. CAPITAL COMMITMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Acquisition of property, plant and equipment		
– contracted for	**2,012**	2,923
Investment in a subsidiary in the PRC	**3,300**	4,800
	5,312	7,723

The Company did not have any significant capital commitments at the balance sheet date (2005: Nil).

33. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms of 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 2006, the Group had total future minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**2,056**	1,578
In the second to fifth years, inclusive	**927**	918
	2,983	2,496

The Company does not have any minimum lease receipts under non-cancellable operating leases at the balance sheet date (2005: Nil).

34. OPERATING LEASE COMMITMENTS

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

At 31 March 2006, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2006		2005	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
Within one year	**6,368**	**297**	2,651	135
In the second to fifth years, inclusive	**10,720**	**1,036**	2,980	1,333
After five years	**10,469**	**–**	9,064	–
	27,557	**1,333**	14,695	1,468

The Company did not have any significant operating lease commitments under non-cancellable operating leases at the balance sheet date (2005: Nil).

35. RELATED PARTY TRANSACTIONS

(a) The following transactions were carried out with a related party, which is a minority shareholder of a subsidiary:

	2006 HK$'000	2005 HK$'000
Commission	**4,377**	–
Sales of goods	**1,822**	–

(b) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 29 to the financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group holds certain derivative financial instruments which are included in financial assets at fair value through profit or loss.

As at 31 March 2006, the Group's financial instruments mainly consisted of cash and bank balances, trade and bills receivables, other receivables, financial assets at fair value through profit or loss, trade payables, accrued liabilities, other payables and interest-bearing borrowings.

36.1 Foreign currency risk

Most of the transactions of the Group were made in HK$, RMB and US$. For the year ended 31 March 2006, the Group was not exposed to any material exchange risk as the exchange of HK$, RMB and US$ were relatively stable and no hedging for foreign currency transactions has been carried out.

36.2 Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

36.3 Interest rate risks

The Group's exposure to interest rate risk relates principally to its interest-bearing loans. These loans bear floating interest rates and are denominated in HK$. The interest rates and terms of repayment of bank borrowings of the Group are disclosed in note 24. The Group currently does not have an interest rate hedging policy.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.4 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: cash and bank balances, trade and bills receivables, other receivables, financial assets at fair value through profit or loss, trade payables, accrued liabilities, other payables and interest-bearing borrowings. As the interest-bearing borrowings are at floating interest rates, the difference between fair value and carrying amounts is immaterial.