CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 1196

2007 Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Lui Chi *(Chairman)*
Lui Shing Ming, Brian *(Managing Director)*
Lui Shing Cheong
Lui Shing Chung, Victor
Lung Wai Kee
Lam Chun Kong*
Lo Wing Man*
Ng Lai Man, Carmen*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Lung Wai Kee

QUALIFIED ACCOUNTANT

Lung Wai Kee

SOLICITORS

Jennifer Cheung & Co.
Unit A, 19th Floor
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

AUDITORS

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
4-4A Des Voeux Road Central
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Industrial and Commercial Bank of China
(Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2608, Level 26
Tower II, Metroplaza
223 Hing Fong Road
Kwai Fong, New Territories
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

STOCK CODE

1196

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007.

RESULTS

The Group reported a total turnover of approximately HK$574.9 million and a profit attributable to equity holders of approximately HK$26.4 million for the year ended 31 March 2007. Basic earnings per share was HK5.41 cents, based on the weighted average of 486,853,321 ordinary shares in issue during the year.

DIVIDENDS

The Directors recommended the payment of a final dividend of HK3 cents per share for the year ended 31 March 2007 to all shareholders whose names appear on the register of members of the Company on 10 September 2007. This, together with the interim dividend of HK1 cent per share already paid on 26 January 2007, will bring the total dividend for the year to HK4 cents per share.

BUSINESS REVIEW

It has been a difficult year for the year under review. Intensive pricing competition as well as rising operating costs continue to impose pressure to the operating environment within the printing industry. For the year under review, the Group recorded a total turnover of approximately HK$574.9 million, which represented a growth of about 3.7% to that of last corresponding year. However, the Group's profit attributable to equity holders has declined by about 35.2% from that of last corresponding year to approximately HK$26.4 million. For the last corresponding year ended 31 March 2006, the total turnover of the Group was approximately HK$554.3 million and the profit attributable to equity holders was approximately HK$40.7 million. Gross profit margin of the Group has also declined to 23.9% for the year under review from that of the corresponding year ended 31 March 2006 of 27.5%.

Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children novelty books continued to be the Group's major business. For the year under review, the total turnover from this major business category has dropped by about 11.5% in the first half of the year when compared to that of the first half of the corresponding year. This was mainly due to a more cautious approach was seen taken by customers in placing orders for packaging boxes amidst an uncertain global economy in the first quarter of the year at the time. The situation has improved since the second quarter of the year. With the then improved global economy and market sentiment, and at the endeavour of the Group by providing more value-added services and adopting more aggressive marketing policy, the Group has been able to achieve a growth of about 5.6% in the total turnover from this major business category over the whole year. For the year ended 31 March 2007, the Group recorded a total turnover from this major business category of approximately HK$449.2 million as compared to that of the last corresponding year ended 31 March 2006 of approximately HK$425.2 million. The total turnover from this major business category accounted for about 78.1% of the Group's total turnover for the year under review. Despite an increase in the turnover, intensive pricing competition within the industry and the persistent rising labour costs, fuel prices and raw material costs in the southern China continued to impose downwards pressure to the profit margins and hence affect the overall performance of this business category.

The Group's business in the manufacture of hangtags, labels, shirt paper boards and plastic bags as well as commercial printing continued to make a stable and satisfactory contribution towards the overall performance of the Group for the year under review. Due to increasing competition, the Group recorded a decrease in turnover of about 5.6% in the manufacture of hangtags, labels, shirt paper boards and plastic bags for the year under review as compared to that of last corresponding year. For the year ended 31 March 2007, the Group's total turnover from the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK$55.1 million as compared to that of the last corresponding year of approximately HK$58.3 million. For the year under review, the total turnover from this business category represented about 9.6% of the Group's total turnover. The Group's total turnover from commercial printing remained stable. For the year under review, the Group's total turnover from the business of commercial printing was approximately

HK$70.6 million as compared to that of last corresponding year of approximately HK$70.8 million. For the year ended 31 March 2007, the total turnover from this business category represented about 12.3% of the Group's total turnover.

The Group's production venture in Shanghai to manufacture labels and hangtags has been progressing satisfactorily and started to record profit in the fourth quarter of the year under review. In view of its satisfactory development, the Group intended to expand this Shanghai venture as its wholly-owned regional production base servicing the eastern and northern China markets. To this end, in March 2007, the Group entered into an agreement to acquire the remaining 45% equity interest in this Shanghai venture from the minority shareholder for a total consideration of £480,000 (approximately HK$7.4 million). The regulatory and PRC government approvals necessary for such change of shareholder have been obtained and the said acquisition was completed in June 2007.

The Group continued to remain cost conscious through stringent cost control measures amidst an intensified and highly competitive operating environment. For the year ended 31 March 2007, the administrative expenses have decreased by about 6.0% to approximately HK$86.4 million as compared to that of last corresponding year. For the year ended 31 March 2006, the administrative expenses were approximately HK$91.9 million. The Group's selling and distribution costs increased by about 18.9% to HK$28.2 million for the year ended 31 March 2007, which were due to the adoption of a more aggressive marketing policy by the Group as well as the rising distribution costs incurred during the year under review. For the year ended 31 March 2006, the Group's selling and distribution costs were approximately HK$23.7 million.

For better jobs alliance and coordination in order to achieve operational efficiency, the Group has been taking steps relocating part of its back offices to the Mainland China. In November 2006, five brand new office units in a commercial building namely, Excellence Times Square, situated in Shenzhen, the PRC, were acquired by the Group for its own use at an aggregate consideration of approximately RMB22.2 million. Occupation permits for these five office units were obtained in February 2007 and the offices renovations have been completed and will be ready for operations in August 2007. In March 2007, the Group has also entered into an agreement to dispose of its office units situated in Metroplaza, Kwai Fong, Hong Kong for approximately HK$33.6 million. Under the agreement, the Group will lease back the office units for a fixed term of two years commencing from 21 May 2007 to 20 May 2009. The disposal of the office units at Metroplaza was completed on 21 May 2007 and it is expected that the gain on the disposal is approximately HK$15 million after deducting relevant expenses.

On 11 July 2007, 121,832,765 new shares was issued and approximately HK$40 million after expenses was raised as a result of the Group's proposed right issue which was announced on 25 May 2007 by provisionally allotting 1 right share for every 4 shares held by qualifying shareholders. It is intended that the net proceeds so raised will be used as to approximately HK$15 million to repay bank indebtedness, approximately HK$10 million to expand production facilities of the Group in Dongguan and Shenzhen, the PRC, and the balance of approximately HK$15 million as general working capital.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. The Group is financially sound and its cash position remains strong. As at 31 March 2007, the Group has available aggregate banking facilities of approximately HK$251 million which were secured by legal charges on certain properties and financial assets at fair value through profit and loss owned by the Group. The Group's cash and bank balances and short term bank deposits as at 31 March 2007 amounted to approximately HK$92.4 million. The Group's gearing ratio as at 31 March 2007 was 18.9% (31 March 2006: 9.9%), basing on the short term and long term interest bearing bank borrowings of HK$74.1 million (31 March 2006: HK$38 million) and the shareholders fund of HK$391.7 million (31 March 2006: HK$381.7 million).

PROSPECTS

It is expected that the operating environment within the printing industry will continue to be tough and difficult as intensive pricing competition as well as increasing operating costs within the southern Mainland China continue. To meet the anticipated challenges and to stay competitive, every production and marketing efforts will continue to be made to strengthen its production flexibility and efficiency as well as to enhance quality customers loyalty and to broaden new customers base. Following the completion of the recent right issues and with approximately HK$40 million after relevant expenses that has been so raised in July 2007, it is believed that the Group will be able to leverage more on its expertise in the printing business and take advantage of new business opportunity arising from time to time in the PRC markets. Further, with the acquisition of the remaining 45% equity interest in the Shanghai venture completed in June 2007, it is anticipated that the Shanghai production base will make satisfactory contribution to the Group in the long run by its expansion as the Group's wholly-owned regional production base servicing the eastern and northern Mainland China markets, which are areas full of growth potentials.

EXCHANGE RATE EXPOSURE

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 March 2007, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and US dollars were relatively stable under the current peg system. Further, with the natural hedging of the revenue and costs denominated in Renminbi, the Group's foreign exchange exposure in Renminbi was insignificant. No hedging for foreign currency transactions has been carried out during the year under review.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2007, the Group had an available workforce of 3,700, of which 3,503 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

FINANCIAL GUARANTEES AND CHARGES ON ASSETS

As at 31 March 2007, corporate guarantees amounting to approximately HK$150 million were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK$49 million.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2007.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our staff for their dedication and contribution and our customers, suppliers, business associates and shareholders for their continuous support.

By Order of the Board
Lui Chi
Chairman

Hong Kong, 25 July 2007

EXECUTIVE DIRECTORS

Mr. Lui Chi, aged 86, is the founder of the Group and Chairman of the Company. Mr. Lui is responsible for the Group's overall corporate policy and strategy. He has more than 50 years of experience in the paper trading, printing and packaging businesses. Mr. Lui has been instrumental in the corporate development of the Group since its establishment.

Mr. Lui Shing Ming, Brian, aged 47, is the Managing Director of the Company responsible for the corporate planning, development and management of the Group. He holds a Master Degree in Commerce from the University of New South Wales, Australia, and is a fellow member of the CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui is a son of Mr. Lui Chi. He is currently an independent non-executive director of Four Seas Food Investment Holdings Limited (Stock Code: 60), a company whose shares are listed on the Stock Exchange.

Mr. Lui Shing Cheong, aged 53, has overall responsibility for the management information system, special project development and the Mainland China operations of the Group. Prior to joining the Group, Mr. Lui had more than 18 years of experience in the electronic and the telecommunication industries and worked for an international telecommunications company as a product technology engineer for 12 years. Mr. Lui holds a Bachelor Degree in Electrical Engineering and a Bachelor Degree in Chemical Engineering from the University of Wisconsin, USA. He is a son of Mr. Lui Chi.

Mr. Lui Shing Chung, Victor, aged 44, has overall responsibility for the operational system of the Group. Prior to joining the Group, he worked for an international telecommunications company for 6 years. Mr. Lui holds a Bachelor Degree in Electrical Engineering from the University of Wisconsin, USA. He is a son of Mr. Lui Chi.

Mr. Lung Wai Kee, aged 51, is responsible for overseeing the finance and accounting functions as well as participation in the business development of the Group. Mr. Lung is an associate member of the Institute of Chartered Accountants in England and Wales, an associate member of the Hong Kong Institute of Certified Public Accountants and a certified member of The Society of Management Accountants of Ontario. Mr. Lung has more than 20 years of working experience in the auditing, taxation and accounting field, both in Hong Kong and Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Chun Kong, aged 55, is the Managing Director of Nature & Technologies (HK) Limited which is engaged in the provision of environmental and energy management solution services. Dr. Lam has more than 30 years of experience in environmental and thermal power engineering work. He holds a Doctorate Degree of Philosophy from The University of Queensland, Australia and a Master Degree of Science from The University of Manchester, the United Kingdom. Dr. Lam is a fellow member of The Hong Kong Institution of Engineers and the Hong Kong Institute of Acoustics and a member of each of The Institution of Mechanical Engineers, the United Kingdom and The Institute of Acoustics Ltd., the United Kingdom. Dr. Lam is currently an independent non-executive director of Linfair Holdings Limited (Stock Code: 462), a company whose shares are listed on the Stock Exchange.

Mr. Lo Wing Man, aged 53, is the Managing Director of Chun Ming Engineering Co., Ltd. licensed as a Registered Lift and Escalator Contractor. Mr. Lo holds a Bachelor of Science Degree from the University of Wisconsin, USA. He is also the Chairman of the board of directors of Chun Ming Elevators (China) Ltd., which runs an elevator services operation in Zhuhai, the PRC.

Dr. Ng Lai Man, Carmen, aged 42, is a practising accountant in Hong Kong, and is currently the Director of Cachet Certified Public Accountants Limited. Dr. Ng holds a Doctorate Degree of Business Administration and a Master Degree of Professional Accounting, both from The Hong Kong Polytechnic University, as well as a Master Degree in Business Administration from The Chinese University of Hong Kong. Dr. Ng is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Dr. Ng is currently an independent non-executive director of Matsunichi Communication Holdings Limited (Stock Code: 283), a company whose shares are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Yuen Hung, aged 72, is the General Manager and a Director of Chun Ming Printing Factory Company Limited. He has more than 50 years of experience in the printing industry. He joined the Group in 1965.

Mr. Ng Wing Tim, aged 62, is a Senior Manager of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 30 years of experience in the plastic bag and printing business.

Mr. Lui Kai Wa, aged 46, is the Operation Director of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 16 years of experience in the printing and paper products industry.

Mr. Tong Tak Ming, aged 47, is the Senior Production Manager of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 16 years of experience in the book printing and paper products industry.

SENIOR MANAGEMENT (Continued)

Miss Ng Shuk Fong, Aman, aged 42, is the Administration and Personnel Manager of the Group. She holds a Bachelor of Social Sciences Degree and a Bachelor of Arts Degree from the University of Ottawa, Canada. She joined the Group in 1993. Miss Ng Shuk Fong, Aman is the spouse of Mr. Lui Shing Chung, Victor, the executive director of the Company.

Mr. Ng Wai Li, Adrian, aged 37, is the Financial Controller of the Group. He holds a Bachelor Degree of Accounting from the University of New South Wales in Australia, and is an associated member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Ng joined the Group in July 2005.

Mr. Cheung King Leung, aged 32, is the Senior Accounting Manager of the Group. He holds a Bachelor of Business (International Business) Degree from the University of South Australia, and is an associated member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung joined the Group in August 2001.

Mr. Li Chun Sing, aged 50, is the Operation Director of Capital Financial Press Limited. Mr. Li has more than 18 years of experience in the financial printing industry. He holds an electrical engineering diploma and printing, publishing and typesetting diploma. Prior to joining the Group in 1998, he worked in one of the leading financial printing companies in Hong Kong for 8 years.

Mr. Yuen Wai Kin, Roger, aged 41, is the General Manager of Chun Ming Printing Factory Company Limited. He holds a Bachelor of Arts Degree from Carleton University, Canada, and joined the Group in 1993.

Mr. Lai Yan Yee, Alan, aged 46, is a Sales and Marketing Manager of the Group. He has more than 16 years of experience in the book printing and paper products industry. He joined the Group in 1998.

The Directors herein present their report and the audited financial statements for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 30 to 90.

An interim dividend of HK1 cent per ordinary share, amounting to an aggregate of HK$4,873,000 was paid in the form of cash on 26 January 2007.

The Directors recommend the payment of a final dividend of HK3 cents per ordinary share, totalling HK$18,275,000 in respect of the year ended 31 March 2007 to all shareholders whose names appear on the register of members of the Company on 10 September 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as appropriate. This summary does not form part of the audited financial statements.

The results for the three years ended 31 March 2003, 2004 and 2005 have not been adjusted for the adoption of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 April 2006.

The respective amounts of profit/(loss) for the year attributable to equity holders of the Company, total assets, total liabilities and total net assets as at 31 March 2003 and 2005 were restated to reflect the change in accounting policy arising from the adoption of SSAP 12 (Revised) "Income taxes", and HKAS 17 "Leases", HKAS 32 "Financial Instruments: Disclosure and Presentation" and, HKAS 39 "Financial Instruments: Recognition and Measurement" respectively.

Results

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)		(Restated)
Turnover	**574,882**	554,343	502,183	446,082	377,514
Profit/(Loss) from operations	**33,812**	47,970	38,764	43,891	(2,843)
Finance costs	**(2,182)**	(1,558)	(638)	(155)	(259)
Profit/(Loss) before income tax	**31,630**	46,412	38,126	43,736	(3,102)
Income tax expense	**(4,730)**	(6,347)	(3,175)	(4,640)	(2,102)
Profit/(Loss) for the year	**26,900**	40,065	34,951	39,096	(5,204)
Attributable to:					
Equity holders of the Company	**26,359**	40,662	34,951	39,096	(5,204)
Minority interests	**541**	(597)	–	–	–
Profit/(Loss) for the year	**26,900**	40,065	34,951	39,096	(5,204)

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and Liabilities

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)		(Restated)
Property, plant and equipment	**183,941**	189,710	192,093	213,522	171,391
Investment properties	**19,430**	18,220	16,462	13,950	9,980
Prepaid lease payments	**16,472**	14,502	14,875	–	–
Goodwill	**–**	–	211	316	421
Deposits for purchases of property, plant and equipment	**–**	–	–	–	3,837
Current assets	**385,869**	303,427	284,300	230,708	185,371
Total assets	**605,712**	525,859	507,941	458,496	371,000
Current liabilities	**176,901**	117,706	135,825	97,590	74,384
Interest-bearing borrowings	**28,043**	21,100	12,000	17,120	–
Deferred tax	**4,599**	4,171	3,492	5,826	6,897
Total liabilities	**209,543**	142,977	151,317	120,536	81,281
Net assets	**396,169**	382,882	356,624	337,960	289,719
Minority interests	**4,467**	1,203	–	–	–

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LEASE PAYMENTS

Details of the movements in the property, plant and equipment, investment properties and prepaid lease payments of the Group are set out in notes 14, 15 and 16, respectively, to the financial statements. Further details of the Group's investment properties are set out on pages 91 to 92.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 25 and 26, respectively, to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2007, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$140,244,000 (2006: HK$134,866,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended), of which HK$18,275,000 (2006: HK$14,601,000) has been proposed as a final dividend for the year. In addition, the Company's share premium account, with a balance of HK$66,843,000 as at 31 March 2007, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 25% of the Group's total turnover. The amount of sales to the Group's largest customer represented 6% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 35% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 10% of the Group's total purchases.

None of the Directors of the Company nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Mr. Lui Chi
Mr. Lui Shing Ming, Brian
Mr. Lui Shing Cheong
Mr. Lui Shing Chung, Victor
Mr. Lung Wai Kee

Independent non-executive directors:

Dr. Lam Chun Kong
Mr. Lo Wing Man
Dr. Ng Lai Man, Carmen

Mr. Lui Shing Chung, Victor, Dr. Lam Chun Kong and Mr. Lo Wing Man will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with bye-law 87 of the Company's Bye-laws respectively.

The Independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2007, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO were as follows:

Directors' interests in shares – Long position in the shares of the Company

	Number of shares held				Total
Name of director	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	interests as % of the issued share capital
Mr. Lui Chi	–	250,409,029 *(Note 1)*	250,409,029 *(Note 1)*	250,409,029	51.38%
Mr. Lui Shing Ming, Brian	4,375,000	–	250,409,029 *(Note 2)*	254,784,029	52.28%
Mr. Lui Shing Cheong	3,125,000	–	250,409,029 *(Note 2)*	253,534,029	52.03%
Mr. Lui Shing Chung, Victor	3,125,000	1,250,000 *(Note 3)*	250,409,029 *(Note 2)*	254,784,029	52.28%
Mr. Lung Wai Kee	1,250,000	2,500,000 *(Note 4)*	–	3,750,000	0.77%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

Directors' interests in shares – Long position in the shares of the Company *(Continued)*

Notes:

1. Mr. Lui Chi is interested in 250,409,029 shares of the Company by virtue of (i) his being a founder of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor, Lui Shing Cheong and other family members of Mr. Lui Chi; and (ii) his spouse is also a founder of the discretionary trust.

2. The 250,409,029 shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming Brian) of The Lui Unit Trust are held by Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited") as trustee of a discretionary trust, the discretionary objects of which have been disclosed in Note (1) above. Mr. Lui Chi and his spouse, Madam Ng Sze Mui are the founders of the discretionary trust. Each of Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong further owns approximately as to 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.

3. The 1,250,000 shares are owned by the spouse of Mr. Lui Shing Chung, Victor.

4. The 2,500,000 shares are owned by the spouse of Mr. Lung Wai Kee.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirement.

Save as disclosed above, as at 31 March 2007, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Long/Short position	Capacity	Number of ordinary shares/ underlying shares held	Percentage of issued capital
Madam Ng Sze Mui	Long	Founder of a discretionary trust	250,409,029 *(Note 1)*	51.38%
Madam Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	254,784,029 *(Note 2)*	52.28%
Harmony Link Corporation	Long	Beneficial owner	250,409,029	51.38%
The Lui Family Company Limited	Long	Trustee	250,409,029 *(Note 3)*	51.38%
Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited")	Long	Trustee	250,409,029 *(Note 3)*	51.38%

Notes:

(1) Interests in these shares represent interests held by Madam Ng Sze Mui by virtue of her being a founder of a discretionary trust which has interests in 250,409,029 shares, details of the trust have also been disclosed in Note (1) under the section "Directors' interests in shares – Long position in the shares of the Company" above.

(2) Interests in these shares include interests in 1,250,000 shares held by Madam Ng Shuk Fong, Aman personally and interests in 253,534,029 shares through interest of her spouse, Mr. Lui Shing Chung, Victor as disclosed in Note (2) under the section "Directors' interests in shares – Long position in the shares of the Company" above.

(3) The two references to 250,409,029 shares relate to the same block of shares in the Company. Each of The Lui Family Company Limited as trustee of The Lui Unit Trust and Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited") as trustee of a discretionary trust is taken to have a duty of disclosure in relation to the interests of Harmony Link Corporation in the said shares of the Company as described in Note (2) under the section "Directors' interests in shares – Long position in the shares of the Company" above.

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, as at 31 March 2007, the Directors are not aware that there is any party (not being a Director) who had any interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

PARTICULARS OF DIRECTORS OF THE COMPANY WHO WERE DIRECTORS/ EMPLOYEES OF SUBSTANTIAL SHAREHOLDERS

Messrs. Lui Chi, Lui Shing Ming Brian, Lui Shing Cheong and Lui Shing Chung Victor are directors of Harmony Link Corporation and The Lui Family Company Limited.

SHARE OPTION SCHEMES

On 5 September 2002, the Company's share option scheme which was adopted on 27 December 1996 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. As at 31 March 2007, the outstanding number of shares in respect of which share options had been granted have either been exercised or lapsed under the Old Scheme and no share options had been granted under the New Scheme.

Details of the Company's share option schemes are stated in note 26 to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors, the management shareholders of the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Dr. Ng Lai Man, Carmen, Dr. Lam Chun Kong and Mr. Lo Wing Man. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Company for the year ended 31 March 2007.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 6 June 2005, a foreign funded enterprise, 上海發絲達印刷有限公司 ("上海發絲達"), was set up by the Group in Shanghai, which is owned by Chun Ming Printing Factory Company Limited ("Chun Ming"), a wholly owned subsidiary of the Company, and Fastabs Limited ("Fastabs") in the ratio of 55% and 45% respectively. In its ordinary and usual course of business, Chun Ming has been supplying labels and hangtags to Fastabs since 2001 (the "Sale Transaction") and Fastabs has been referring customers to Chun Ming. Chun Ming pays commission to Fastabs on a monthly basis in respect of such referred sales at a variable percentage to be agreed with Fastabs from time to time on the transaction value when Chun Ming receives the purchase order from the referred customers. In determining such a variable percentage, the nature of the orders and the order size will be taken into account. Chun Ming will also pay annual commission to Fastabs calculated at the end of each fiscal year at 6.5% of the aggregate annual value of the Sale Transactions and the referred sales, minus the monthly commissions paid in the twelve calendar month period. Fastabs and its owners were independent from and not connected with the Company and its connected persons until 6 June 2005 when 上海發絲達 was set up. Since then, Fastabs has become a connected person of the Company by reason of it being a substantial shareholder of a subsidiary of the Company and the Sale Transaction and the monthly and annual commissions paid by Chun Ming therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Sale Transactions are entered into on an order and order basis and the consideration are reached after arm's length negotiations between Chun Ming and Fastabs with reference to the prices charged by Chun Ming to other independent customers, which basis was the same as that before Fastabs became a connected person of the Company. For the year ended 31 March 2007, the total consideration of the Sale Transactions amounted to approximately HK$2.5 million.

The basis for the calculation of the monthly and annual commissions to Fastabs was agreed between Chun Ming and Fastabs before Fastabs became a connected person of the Company and arrived after arm's length negotiation. The Directors consider that the commission basis continue to be fair and reasonable as the nature of the transactions has not changed after Fastabs has become a connected person of the Company in June 2005. For the year ended 31 March 2007, the total monthly and annual commissions paid to Fastabs amounted to approximately HK$5.9 million.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Chun Ming has not entered into similar arrangements with other third parties and no master agreement was signed between Chun Ming and Fastabs to govern the Sale Transactions and the monthly and annual commission payments until 16 June 2006 (the "Master Agreement"). The terms of the Sale Transaction and the monthly and annual commission payments as set out in the Master Agreement are on the same basis as those before the Master Agreement was entered into. With Fastabs becoming a connected person in June 2005, the subsequent Sale Transaction and monthly and annual commission payments have become continuing connected transactions of the Company pursuant to the Listing Rules. It is currently expected the annual aggregate amount of the Sale Transactions and the monthly and annual commission payments will be less than HK$10,000,000 for each of the three years ending 31 March 2009. In accordance with Rule 14A.34 of the Listing Rules, the Sale Transactions and the monthly and annual commission payments are only subject to the reporting and announcement requirements and are exempt from the independent shareholder's approval requirements. The Company will includes details of the Sale Transactions and the monthly and annual commission payments in the annual reports, including in a note to the financial statements as related party transaction, for each of the three years ending 31 March 2009.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions for the year under review and have confirmed that these continuing connected transactions were entered into:

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

(ii) on terms no less favourable than those available to independent third parties; and

(iii) on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Furthermore, the auditors of the Company have confirmed to the Board of the Company that the above continuing connected transactions for the year ended 31 March 2007:

(i) have been approved by the Board of the Company;

(ii) are in accordance with the pricing policies of the Group;

(iii) have been entered into in accordance with the terms of the relevant agreement governing the transactions; and

(iv) have not exceeded the cap disclosed in the announcement of the Company dated 30 June 2006.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 23 to 27.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year under review.

AUDITORS

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Lui Chi
Chairman

Hong Kong, 25 July 2007

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. It met all the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 March 2007 except for the deviation from Code provision A.4.1 in that the independent non-executive directors were not appointed for a specific term but are subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-laws of the Company. However, as the Bye-laws of the Company stipulate that one-third of the directors, including executive and independent non-executive directors, shall retire from office by rotation so that each director shall be subject to retirement at least once every three years, the Company considers that sufficient measures have been taken to essence that the corporate governance practices of the Company are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year 31 March 2007.

BOARD OF DIRECTORS

The Company is governed by a board of directors which has the responsibility for leadership and control of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholder value.

The Board met four times during the year ended 31 March 2007. Its composition and the attendance of individual directors at these board meetings were follows :

Name	Number of meetings attended
Executive directors	
Lui Chi *(Chairman)*	4/4
Lui Shing Ming, Brian *(Managing Director)*	4/4
Lui Shing Cheong	4/4
Lui Shing Chung, Victor	4/4
Lung Wai Kee	4/4
Independent non-executive directors	
Lam Chun Kong	4/4
Lo Wing Man	4/4
Ng Lai Man, Carmen	4/4

Mr. Lui Chi is the father of Messrs. Lui Shing Ming, Brian, Lui Shing Cheong and Lui Shing Chung, Victor.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director of the Company are separated, with a clear division of responsibilities.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Managing Director is responsible for the day-to-day management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company, which stipulate that one-third of the directors, including executive and independent non-executive directors, shall retire from office by rotation so that each director shall be subject to retirement at least once every three years.

REMUNERATION OF DIRECTORS

The Remuneration Committee has 4 members, comprising Mr. Lo Wing Man, Dr. Lam Chun Kong, Dr. Ng Lai Man, Carmen (all independent non-executive directors) and Mr. Lui Shing Ming, Brian, an executive director of the Company. This Committee is chaired by Mr. Lo Wing Man.

The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met once during the year. The attendance of individual members at these meetings was as follows:

Name	**Number of meetings attended**
Lo Wing Man	1/1
Lam Chun Kong	1/1
Ng Lai Man, Carmen	1/1
Lui Shing Ming, Brian	1/1

The Remuneration Committee has reviewed and determined the Group's remuneration policy, including the policy for the remuneration of executive directors, the levels of remuneration paid to executive directors and senior management of the Group.

NOMINATION OF DIRECTORS

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment. Under the Company's Bye-laws, all directors are subject to re-election by shareholders every 3 years.

Potential new directors are selected on the basis of their qualifications, skills and experience which the directors consider will make a positive contribution to the performance of the Board.

During the year, no new director was appointed.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 March 2007, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditors' Report attached to the Company's Financial Statements for the year ended 31 March 2007.

The Board conducts regular review and evaluation of the ongoing effectiveness and adequacy of the Group's internal control system covering all controls, including financial, operational, compliance and risk management controls. Appropriate measures and actions have been taken during the year ended 31 March 2007 on areas where rooms for improvement were identified.

AUDITORS' REMUNERATION

For the year ended 31 March 2007, fees paid/payable to the Company's external auditors for audit services and non-audit services are set out as follows:

Services rendered	**Fees paid/payable** (HK$'000)
Audit services	878
Non-audit services	
– Review on 2006 interim results	105
– Review on 2007 announcement of annual results	30

AUDIT COMMITTEE

The Audit Committee has 3 members, comprising Dr. Ng Lai Man, Carmen, Dr. Lam Chun Kong and Mr. Lo Wing Man (all independent non-executive directors). This Committee is chaired by Dr. Ng Lai Man, Carmen.

The terms of reference of the Audit Committee follow the guidelines set out in the Code. During the year, the Audit Committee had reviewed the Group's interim and annual results, internal control system and financial reporting matters.

The Audit Committee met three times during the year. The attendance of individual members at these meetings was as follows :

Name	**Number of meetings attended**
Ng Lai Man, Carmen	3/3
Lam Chun Kong	3/3
Lo Wing Man	3/3

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

To the members of
Cheong Ming Investments Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cheong Ming Investments Limited (the "Company") set out on pages 30 to 90, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

25 July 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	6	**574,882**	554,343
Cost of sales		**(437,267)**	(401,643)
Gross profit		**137,615**	152,700
Other operating income	7	**10,742**	13,145
Selling and distribution costs		**(28,160)**	(23,688)
Administrative expenses		**(86,385)**	(91,865)
Other operating expenses		**–**	(2,322)
Profit from operations	8	**33,812**	47,970
Finance costs	9	**(2,182)**	(1,558)
Profit before income tax		**31,630**	46,412
Income tax expense	10	**(4,730)**	(6,347)
Profit for the year		**26,900**	40,065
Attributable to:			
Equity holders of the Company	11	**26,359**	40,662
Minority interests		**541**	(597)
Profit for the year		**26,900**	40,065
Dividends	12	**23,148**	19,468
		HK cents	HK cents
Earnings per share for profit attributable to the equity holders of the Company during the year	13		
– Basic		**5.41**	8.35
– Diluted		**5.41**	8.35

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**183,941**	189,710
Investment properties	15	**19,430**	18,220
Prepaid lease payments	16	**16,472**	14,502
		219,843	222,432
Current assets			
Properties held for sale	18	**18,460**	–
Inventories	19	**72,726**	49,868
Trade receivables	20	**136,141**	110,477
Prepayments, deposits and other receivables		**14,211**	8,697
Financial assets at fair value through profit or loss	21	**49,756**	35,872
Amount due from a related company	20	**2,190**	–
Cash and cash equivalents	22	**92,385**	98,513
		385,869	303,427
Current liabilities			
Trade payables	23	**96,702**	64,790
Amount due to a related company	23	**–**	206
Accrued liabilities and other payables		**20,398**	20,338
Interest-bearing borrowings	24	**46,017**	16,863
Tax payable		**13,784**	15,509
		176,901	117,706
Net current assets		**208,968**	185,721
Total assets less current liabilities		**428,811**	408,153
Non-current liabilities			
Interest-bearing borrowings	24	**28,043**	21,100
Deferred tax	28	**4,599**	4,171
		32,642	25,271
Net assets		**396,169**	382,882

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	**48,733**	48,671
Reserves	27	**324,694**	318,407
Proposed dividend	12	**18,275**	14,601
		391,702	381,679
Minority interests		**4,467**	1,203
Total equity		**396,169**	382,882

LUI SHING MING, BRIAN
Director

LUNG WAI KEE
Director

BALANCE SHEET

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	**116,995**	116,995
Current assets			
Amounts due from subsidiaries	17	**143,449**	137,198
Prepayments, deposits and other receivables		**109**	163
Cash and cash equivalents	22	**40**	311
		143,598	137,672
Current liabilities			
Amounts due to subsidiaries	17	**2,314**	2,307
Accrued liabilities and other payables		**2,459**	2,058
		4,773	4,365
Net current assets		**138,825**	133,307
Total assets less current liabilities		**255,820**	250,302
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	**48,733**	48,671
Reserves	27	**188,812**	187,030
Proposed dividend	12	**18,275**	14,601
Total equity		**255,820**	250,302

LUI SHING MING, BRIAN	LUNG WAI KEE
Director	*Director*

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
Cash flows from operating activities		
Profit before income tax	**31,630**	46,412
Adjustments for:		
Interest expense	**2,182**	1,558
Interest income	**(4,570)**	(2,879)
Impairment of goodwill	**–**	211
Dividend income from listed investments	**(284)**	(252)
Gain on disposal of listed investments	**(644)**	(1,504)
Gain on disposal of unlisted investments	**(17)**	(335)
(Gain)/Loss on disposal of property, plant and equipment	**(233)**	41
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(173)**	71
Depreciation of property, plant and equipment	**26,511**	27,531
Amortisation of prepaid lease payments	**472**	373
Reversal of write down of inventories	**–**	(1,490)
Surplus on revaluation of leasehold land and buildings	**(1,002)**	(1,673)
Fair value gain on investment properties	**(1,210)**	(1,758)
Provision for impairment on trade receivables	**443**	4,426
Provision for impairment on other receivables	**–**	2,251
Operating profit before working capital changes	**53,105**	72,983
Increase in inventories	**(22,858)**	(2,529)
Increase in trade receivables	**(26,107)**	(14,088)
Increase in prepayments, deposits and other receivables	**(5,514)**	(4,099)
(Increase)/Decrease in financial assets at fair value through profit or loss	**(13,050)**	3,817
Decrease in amount due from a related company	**533**	–
Increase/(Decrease) in trade payables	**31,912**	(4,024)
Increase/(Decrease) in accrued liabilities and other payables	**55**	(16,891)
(Decrease)/Increase in amount due to a related company	**(206)**	2,006
Cash generated from operations	**17,870**	37,175
Interest received	**4,570**	2,879
Interest paid	**(2,182)**	(1,558)
Dividend income from listed investments	**284**	252
Dividends paid	**(19,471)**	(19,468)
Income tax paid	**(6,392)**	(3,792)
Net cash (used in)/generated from operating activities	**(5,321)**	15,488

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment and land use rights		**(38,212)**	(21,712)
Withdrawal of bank deposits		**(19,532)**	(2,344)
Proceeds from disposal of property, plant and equipment		**925**	159
Net cash used in investing activities		**(56,819)**	(23,897)
Cash flows from financing activities			
Increase in trust receipt loans		**4,395**	–
Proceeds from issuance of ordinary shares through exercise of share options		**140**	–
Repayment of bank loans		**(5,580)**	(64,536)
Borrowing of bank loans		**28,434**	77,224
Net cash generated from financing activities		**27,389**	12,688
Net (decrease)/increase in cash and cash equivalents		**(34,751)**	4,279
Cash and cash equivalents at beginning of year		**89,134**	84,850
Effect of foreign exchange rate changes		**243**	5
Cash and cash equivalents at end of year	22	**54,626**	89,134

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Equity attributable to equity holders of the Company									Minority interests	Total equity
	Share capital	Share premium account	Contributed surplus	Asset revaluation reserve	Goodwill reserve	Exchange reserve	Retained profits	Proposed dividend	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005	48,671	66,765	34,080	15,468	(1,408)	–	178,447	14,601	356,624	–	356,624
Transfer of goodwill	–	–	–	–	1,408	–	(1,408)	–	–	–	–
Exchange difference on consolidation	–	–	–	–	–	5	–	–	5	–	5
Revaluation surplus on leasehold land and buildings	–	–	–	1,963	–	–	–	–	1,963	–	1,963
Deferred tax credit	–	–	–	1,893	–	–	–	–	1,893	–	1,893
Net income recognised directly in equity	–	–	–	3,856	–	5	–	–	3,861	–	3,861
Profit for the year	–	–	–	–	–	–	40,662	–	40,662	(597)	40,065
Total recognised income and expense for the year	–	–	–	3,856	–	5	40,662	–	44,523	(597)	43,926
Capital contributed by minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	1,800	1,800
Final 2005 dividend paid	–	–	–	–	–	–	–	(14,601)	(14,601)	–	(14,601)
Interim 2006 dividend paid	–	–	–	–	–	–	(4,867)	–	(4,867)	–	(4,867)
Proposed final 2006 dividend	–	–	–	–	–	–	(14,601)	14,601	–	–	–
At 31 March 2006	**48,671**	**66,765**	**34,080**	**19,324**	**–**	**5**	**198,233**	**14,601**	**381,679**	**1,203**	**382,882**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Equity attributable to equity holders of the Company								Minority interests	Total equity
	Share capital	Share premium account	Contributed surplus	Asset revaluation reserve	Exchange reserve	Retained profits	Proposed dividend	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	48,671	66,765	34,080	19,324	5	198,233	14,601	381,679	1,203	382,882
Exchange difference on consolidation	–	–	–	–	243	–	–	243	–	243
Revaluation surplus on leasehold land and buildings	–	–	–	3,122	–	–	–	3,122	–	3,122
Deferred tax charge	–	–	–	(367)	–	–	–	(367)	–	(367)
Net income recognised directly in equity	–	–	–	2,755	243	–	–	2,998	–	2,998
Profit for the year	–	–	–	–	–	26,359	–	26,359	541	26,900
Total recognised income for the year	–	–	–	2,755	243	26,359	–	29,357	541	29,898
Capital contributed by minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	2,723	2,723
Final 2006 dividend paid	–	–	–	–	–	–	(14,601)	(14,601)	–	(14,601)
Interim 2007 dividend paid	–	–	–	–	–	(4,873)	–	(4,873)	–	(4,873)
Proposed final 2007 dividend	–	–	–	–	–	(18,275)	18,275	–	–	–
Issue of ordinary shares	62	78	–	–	–	–	–	140	–	140
At 31 March 2007	**48,733**	**66,843**	**34,080**	**22,079**	**248**	**201,444**	**18,275**	**391,702**	**4,467**	**396,169**

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled 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 17 to the financial statements.

The directors consider Harmony Link Corporation, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

The financial statements on pages 30 to 90 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 March 2007 were approved by the board of directors on 25 July 2007.

2. ADOPTION OF NEW OR REVISED HKFRSs

From 1 April 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on financial guarantee contracts. Other than this, the adoption of these new and amended HKFRSs did not result in significant changes in the Group's and Company's accounting policies.

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" ("HKAS 37").

Details of this new accounting policy are set out in note 3.19.

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

This new accounting policy has been applied retrospectively to the extent that the financial guarantee contracts were in existence at 1 April 2005 (i.e. the date when HKAS 39 was initially adopted by the Group). The adoption of the amendments to HKAS 39 has no material effect to the financial statements for the current and prior years and thus no adjustment to prior periods has been made.

HK (IFRIC) Interpretation 4 ("HK (IFRIC) – Int 4") Determining whether an Arrangement contains a Lease

This interpretation concludes that an arrangement may contain a lease if the substance of the transaction (or a series of transactions) is the transfer of the right to use a specific asset or assets for an agreed period of time in return for a payment (or a series of payments) even if there is no legal form of a lease. The Group's accounting policy on leases has been changed accordingly, i.e. to account for a transaction (or a component of a transaction) as a lease even in the absence of a legal form of a lease.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

HK (IFRIC) Interpretation 4 ("HK (IFRIC) – Int 4") Determining whether an Arrangement contains a Lease (Continued)

The Group has followed the guidance in HK (IFRIC) – Int 4 to assess its outsourcing arrangements and identified several arrangements containing leases. According to HK(IFRIC) – Int 4, the Group's payments under these arrangements, if any, should be segregated into lease payments (on which the Group's accounting policies on leases applied) and payments for the outsourced arrangements (which would be recognised when it is incurred). Prior to this change, the Group recognised the charges as costs of the outsourced arrangements when they were incurred. These costs were included in the cost of sales.

This new accounting policy has been applied retrospectively. The adoption of the HK (IFRIC)-Int 4 has no material effect to the financial statements for the current and prior years and thus no adjustment to prior periods has been made.

New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC) Interpretation 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC) Interpretation 8	Scope of HKFRS 2 [4]
HK(IFRIC) Interpretation 9	Reassessment of Embedded Derivatives [5]
HK(IFRIC) Interpretation 10	Interim Financial Reporting and Impairment [6]
HK(IFRIC) Interpretation 11	Group and Treasury Share Transactions [7]
HK(IFRIC) Interpretation 12	Service Concession Arrangements [8]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 March 2006
4 Effective for annual periods beginning on or after 1 May 2006
5 Effective for annual periods beginning on or after 1 June 2006
6 Effective for annual periods beginning on or after 1 November 2006
7 Effective for annual periods beginning on or after 1 March 2007
8 Effective for annual periods beginning on or after 1 January 2008

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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.

Business combinations (other than for combining entities under common control) are accounted for by applying 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 fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

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 Property, plant and equipment

Land held under operating leases and buildings thereon (where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at revalued amounts being fair value 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.

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 3.9. 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.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease. All other plant and equipment are stated at cost less accumulated depreciation and impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property, plant and equipment (Continued)

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 retirement or 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 costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.5 Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Investment properties (Continued)

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 income statement for the period in which they arise.

3.6 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(a) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 3.5); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see Note 3.4). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Leases (Continued)

(b) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(c) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(d) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in income statement on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

The Group 's financial assets mainly include cash and cash equivalents, trade and bills receivables, amount due from a related company, other receivables, and 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.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets (Continued)

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

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

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

(b) Trade 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 subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on trade and other receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 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 the estimated cost of completion and applicable selling expenses.

3.9 Impairment of assets

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

All assets are tested for impairment whenever there are indications that the asset's 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable 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.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks or other financial institution and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial liabilities

The Group's financial liabilities mainly include bank borrowings under current or non-current liabilities and overdrafts, trade payables, accrued liabilities and other payables.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised 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)

3.12 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, tax 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 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)

3.13 Retirement benefit costs and short term employee benefits

(a) Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

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 except Hong Kong (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)

3.13 Retirement benefit costs and short term employee benefits (Continued)

(b) Short term employee benefits

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

(ii) Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.14 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.

3.15 Share capital

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Foreign currency translation

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

In the individual 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. At balance sheet date, monetary assets and liabilities denominated in foreign currencies at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and 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.

In the consolidated financial statements, all individual financial statements of foreign operations, 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 exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.17 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Dividends (Continued)

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.

3.18 Recognition of revenue

Revenue comprises the fair value for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts and after eliminated sales within the Group. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered.

Sales 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. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is an evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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.

3.19 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Financial guarantees issued (Continued)

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

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 property, plant and equipment, investment properties, prepaid lease payments, properties held for sale, inventories, trade receivables, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, amount due from a related company 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(a) 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 3.4 and 3.5, 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.

4.2 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 properties 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 turnover, 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	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Segment turnover:										
Sales to external customers	449,156	425,207	55,093	58,343	70,633	70,793	–	–	574,882	554,343
Intersegment sales	13,447	11,462	–	77	425	291	(13,872)	(11,830)	–	–
Total	462,603	436,669	55,093	58,420	71,058	71,084	(13,872)	(11,830)	574,882	554,343
Segment results	9,872	24,774	11,362	12,098	8,008	8,219	–	–	29,242	45,091
Interest income									4,570	2,879
Profit from operations									33,812	47,970
Finance costs									(2,182)	(1,558)
Profit before income tax									31,630	46,412
Income tax expense									(4,730)	(6,347)
Profit for the year									26,900	40,065

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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**540,507**	480,224	**34,382**	24,864	**30,823**	20,771	**–**	–	**605,712**	525,859
Segment liabilities	**145,576**	114,051	**14,663**	12,984	**49,304**	15,957	**–**	–	**209,543**	142,992
Other segment information:										
Depreciation	**22,462**	23,001	**3,447**	3,027	**602**	1,503	**–**	–	**26,511**	27,531
Amortisation of prepaid lease payments	**373**	373	**–**	–	**99**	–	**–**	–	**472**	373
Impairment of goodwill	**–**	211	**–**	–	**–**	–	**–**	–	**–**	211
Capital expenditure	**8,715**	16,254	**6,737**	4,864	**22,760**	594	**–**	–	**38,212**	21,712
Surplus on revaluation of leasehold land and buildings recognised in the income statement	**(1,002)**	(1,673)	**–**	–	**–**	–	**–**	–	**(1,002)**	(1,673)
Fair value gain on investment properties recognised in the income statement	**(1,210)**	(1,758)	**–**	–	**–**	–	**–**	–	**(1,210)**	(1,758)
Net (gain)/loss on financial assets at fair value through profit or loss	**(173)**	71	**–**	–	**–**	–	**–**	–	**(173)**	71
Other non-cash expenses	**962**	6,692	**602**	162	**818**	–	**–**	–	**2,382**	6,854

5. SEGMENT INFORMATION (Continued)

5.2 Geographical segments

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

	Hong Kong		Elsewhere in the PRC		United Kingdom		Europe and other countries, excluding United Kingdom		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment turnover:										
Sales to external customers	**435,499**	426,596	**32,172**	17,474	**83,160**	69,792	**24,051**	40,481	**574,882**	554,343
Other segment information:										
Segment assets	**364,272**	313,073	**241,440**	212,786	**–**	–	**–**	–	**605,712**	525,859
Capital expenditure	**4,131**	3,091	**34,081**	18,621	**–**	–	**–**	–	**38,212**	21,712

6. TURNOVER

The Group's turnover represents the invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered arising from the principal activities of the Group during the year after eliminations of all significant intra-group transactions.

7. OTHER OPERATING INCOME

	2007	2006
	HK$'000	HK$'000
Reversal of write down of inventories	**–**	1,490
Gross rental income from investment properties	**2,018**	1,991
Interest income	**4,570**	2,879
Dividend income from listed investments	**284**	252
Gain on disposal of listed investments	**644**	1,504
Gain on disposal of unlisted investments	**17**	335
Gain on disposal of property, plant and equipment	**233**	–
Fair value gain on investment properties	**1,210**	1,758
Fair value gain on financial assets at fair value through profit or loss	**173**	–
Surplus on revaluation of leasehold land and buildings	**1,002**	1,673
Sundry income	**591**	1,263
	10,742	13,145

8. PROFIT FROM OPERATIONS

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

	2007 HK$'000	2006 HK$'000
Amortisation of prepaid lease payments*	**472**	373
Auditors' remuneration	**1,013**	1,005
Cost of inventories sold	**399,270**	360,919
Cost of services rendered	**37,997**	40,724
Depreciation**	**26,511**	27,531
Exchange loss, net	**667**	1,214
Impairment of goodwill	**–**	211
(Gain)/Loss on disposal of property, plant and equipment	**(233)**	41
Net (gain)/loss on financial assets at fair value through profit or loss	**(173)**	71
Operating lease charges on land and buildings***	**6,597**	5,838
Provision for impairment		
– trade receivables	**443**	4,426
– other receivables	**–**	2,251
Staff costs (excluding directors' remuneration)		
Wages and salaries****	**100,149**	87,412
Provision for long services payment	**965**	161
Net pension scheme contributions	**2,478**	2,893
Rental income from investment properties, net of outgoings	**(1,702)**	(1,823)

* Amortisation of prepaid lease payments of HK$121,000 (2006: HK$121,000) has been expensed in cost of sales and HK$351,000 (2006: HK$252,000) in administrative expenses.

** Depreciation expense of HK$21,865,000 (2006: HK$22,481,000) has been expensed in cost of sales and HK$4,646,000 (2006: HK$5,050,000) in administrative expenses.

*** Operating lease charges on land and buildings of HK$1,674,000 (2006: HK$1,762,000) has been expensed in cost of sales and HK$4,923,000 (2006: HK$4,076,000) in administrative expenses.

**** Wages and salaries of HK$57,342,000 (2006: HK$42,372,000) has been expensed in cost of sales and HK$42,807,000 (2006: HK$45,040,000) in administrative expenses.

9. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	**2,116**	1,558
Interest on bank loan not wholly repayable within five years	**66**	–
	2,182	1,558

10. INCOME TAX EXPENSE

The tax charge comprises:

	Group	
	2007	2006
	HK$'000	HK$'000
Current tax – Hong Kong		
Tax for the year	**3,300**	3,909
Under provision in respect of prior years	**177**	166
	3,477	4,075
Current tax – overseas		
Tax for the year	**1,520**	1,416
Over provision in respect of prior years	**(328)**	(1,716)
	1,192	(300)
Deferred tax		
Current year – tax charge *(note 28)*	**61**	2,572
	4,730	6,347

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxes on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

10. INCOME TAX EXPENSE (Continued)

Deferred tax is accounted for using the balance sheet liability method at the rate of 17.5% (2006: 17.5%) in Hong Kong or the tax rates prevailing in the countries in which the Group operates.

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

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before income tax	**31,630**	46,412
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**5,289**	7,638
Tax effect on non-deductible expenses	**2,336**	1,685
Tax effect on non-taxable revenue	**(3,708)**	(3,850)
Tax effect of utilisation of tax losses not previously recognised	**(62)**	(220)
Tax effect on tax loss not recognised	**528**	472
Tax effect on taxable temporary differences not recognised	**498**	2,172
Over provision in prior years	**(151)**	(1,550)
Income tax expense	**4,730**	6,347

11. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$26,359,000 (2006: HK$40,662,000), a profit of HK$24,852,000 (2006: HK$20,817,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends attributable to the year

	2007	2006
	HK$'000	HK$'000
Interim dividend of HK1 cent per ordinary share (2006: HK1 cent)	**4,873**	4,867
Proposed final dividend of HK3 cents per ordinary share (2006: HK3 cents)	**18,275**	14,601
	23,148	19,468

12. DIVIDENDS (Continued)

(a) Dividends attributable to the year (Continued)

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 2007.

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

	2007	2006
	HK$'000	HK$'000
Final dividend in respect of the previous financial year	**14,598**	14,571

13. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the Group's profit attributable to equity holders of the Company of HK$26,359,000 (2006: HK$40,662,000) and on the weighted average of 486,853,321 (2006: 486,706,061) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2007 was based on the Group's profit attributable to equity holders of the Company of HK$26,359,000 (2006: HK$40,662,000). The weighted average number of ordinary shares used in the calculation was 486,853,321 (2006: 486,706,061) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of nil (2006: 293,967) 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$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
At 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 and 1 April 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
Year ended 31 March 2007							
Opening net book amount	98,171	79,107	5,040	4,502	–	2,890	189,710
Additions	10,787	10,465	1,784	1,582	103	1,530	26,251
Transfer to properties held for sale	(8,941)	–	–	–	–	–	(8,941)
Disposals and write-off, net	–	(257)	(2)	(29)	–	(404)	(692)
Revaluation surplus	4,124	–	–	–	–	–	4,124
Depreciation	(2,774)	(19,681)	(1,775)	(1,135)	(10)	(1,136)	(26,511)
Closing net book amount	**101,367**	**69,634**	**5,047**	**4,920**	**93**	**2,880**	**183,941**
At 31 March 2007							
Cost or valuation	101,367	244,613	30,326	13,412	103	9,022	398,843
Accumulated depreciation	–	(174,979)	(25,279)	(8,492)	(10)	(6,142)	(214,902)
Net book amount	**101,367**	**69,634**	**5,047**	**4,920**	**93**	**2,880**	**183,941**

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 2007 which was performed by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent firm of professional valuers, on the basis of Market Value, at HK$13,550,000. The resulting reversal of previously recognised revaluation deficit amounting to HK$1,002,000 has been credited to the income statement.

At the balance sheet date, the Group's leasehold land and buildings outside Hong Kong were carried at their valuations as at 31 March 2007 which was performed by LCH, on the basis of Depreciated Replacement Cost, at HK$87,817,000. The resulting revaluation surplus amounting to HK$3,122,000 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 and impairment losses, their carrying amounts would have been HK$18,962,000 (2006: HK$19,433,000).

Had the Group's leasehold land and buildings outside Hong Kong been valued at cost less accumulated depreciation and impairment losses, their carrying amounts would have been HK$26,033,000 (2006: HK$16,227,000).

At the balance sheet date, certain of the Group's leasehold land and buildings amounting to HK$21,781,000 (2006: HK$19,490,000) 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 were carried at their valuations at HK$12,000,000 (2006: HK$11,280,000) are held on medium term leases between 10 to 50 years.

The analysis of the cost or valuation at 31 March 2007 of the above assets is as follows:

	Leasehold land and buildings HK$'000	Plant and Machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	244,613	30,326	13,412	103	9,022	297,476
At valuation	101,367	–	–	–	–	–	101,367
	101,367	244,613	30,326	13,412	103	9,022	398,843

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Leasehold land and buildings HK$'000	Plant and Machinery HK$'000	Furniture and fixtures HK$'000	Office improvement HK$'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

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	
	2007 HK$'000	2006 HK$'000
Changes to the carrying amounts presented in the balance sheet are summarised as follows:		
Carrying amount at 1 April	**18,220**	16,462
Net gain from fair value adjustments	**1,210**	1,758
Carrying amount at 31 March	**19,430**	18,220

The Group's investment properties were revalued, on the basis of Market Value, at HK$19,430,000 by LCH as at 31 March 2007. The resulting revaluation surplus amounting to HK$1,210,000 (2006: HK$1,758,000) 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$8,840,000 (2006: HK$8,260,000) were pledged to secure general banking facilities granted to the Group and bank borrowings as further detailed in notes 24 and 30 to the financial statements respectively.

Further particulars of the Group's investment properties are included on pages 91 and 92.

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	
	2007	2006
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**930**	10,710
Outside Hong Kong held on:		
Leases of between 10 to 50 years	**15,542**	3,792
	16,472	14,502

	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 April	**14,502**	14,875
Additions	**11,961**	–
Transfer to properties held for sale	**(9,519)**	–
Annual charges of prepaid lease payments	**(472)**	(373)
Carrying amount at 31 March	**16,472**	14,502

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	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
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
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

17. INVESTMENTS IN SUBSIDIARIES (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
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
資浚商務服務（深圳）有限公司	PRC**	Registered capital of RMB16,000,000	–	100%	Provision of business services	PRC
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

* 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.

17. INVESTMENTS IN SUBSIDIARIES (Continued)

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.

(c) On 29 March 2007, the Group through one of its wholly-owned subsidiaries entered into a Sale and Purchase Agreement (the "Agreement") with Fastabs Limited ("Fastabs") to acquire 45% equity interest in上海發絲達印刷有限公司, ("上海發絲達"), from Fastabs for an aggregate consideration of £480,000 (approximately HK$7,369,000) in cash. 上海發絲達is an equity joint venture enterprise established in the PRC and is 55% owned by one of the Company's wholly-owned subsidiaries as at 31 March 2007. The completion of the Agreement is conditional upon上海發絲達obtaining the approval and consent from the relevant PRC authorities required for the transfer of its 45% equity interest from Fastabs to the Company's wholly-owned subsidiary. If such condition is not fulfilled on or before 28 June 2007 (or such other date as the parties may mutually agree), the Agreement will lapse. Further details are set out in note 37 (b).

18. PROPERTIES HELD FOR SALE

In March 2007, the Group entered into an agreement for sale of the certain land and buildings with a carrying value of HK$18,460,000 at 31 March 2007. These land and buildings are stated at the lower of its carrying amount and fair value less costs to sell. Details of such transaction are set out in note 37 (a) below. Accordingly, the properties have been reclassified as properties held for sale as at 31 March 2007.

At the balance sheet date, the Group's properties held for sale amounting to HK$18,460,000 (2006: Nil) were pledged to secure the bank borrowing and general banking facilities granted to the Group as further detailed in note 24 and 30 to the financial statements respectively.

19. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**43,870**	33,899
Work in progress	**13,713**	4,178
Finished goods	**15,143**	11,791
	72,726	49,868

20. TRADE RECEIVABLES AND AMOUNT DUE FROM A RELATED COMPANY

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**141,010**	114,903
Less: provision for impairment of receivables	**(4,869)**	(4,426)
Trade receivables – net	**136,141**	110,477
Amount due from a related company	**2,190**	–
	138,331	110,477

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

The Group has recognised a loss of HK$443,000 (2006: HK$4,426,000) for the impairment of its trade receivables during the year ended 31 March 2007. The loss has been included in administrative expenses.

The amount due from a related company is trading in nature. At 31 March 2007, the aging analysis of the trade receivables including amount due from a related company, based on invoiced date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 30 days	**106,173**	43,163
31 to 60 days	**11,005**	17,427
61 to 90 days	**5,202**	22,344
Over 90 days	**15,951**	27,543
	138,331	110,477

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong listed equity investments	**1,222**	3,839
Hong Kong unlisted equity investments	**5,481**	–
Overseas listed equity investments	**4,642**	8,071
Overseas unlisted equity investments	**31,224**	4,314
Overseas unlisted debt investments	**2,347**	19,648
Overseas unlisted linked notes	**2,458**	–
Overseas unlisted currency notes	**2,382**	–
	49,756	35,872

The above financial assets are classified as held for trading.

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 other operating income or administrative expenses in the income statement.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash in hand, bank balances, and time deposits with original maturity of less than three months	**61,027**	89,528	**40**	311
Cash placed at a securities brokerage firm	**3,812**	971	**–**	–
Time deposits with original maturity of more than three months	**27,546**	8,014	**–**	–
Cash and cash equivalents per consolidated balance sheet	**92,385**	98,513	**40**	311
Less: Time deposits with original maturity of more than three months	**(27,546)**	(8,014)	**–**	–
Bank overdrafts, secured	**(10,213)**	(1,365)	**–**	–
Cash and cash equivalents per consolidated cash flow statement	**54,626**	89,134	**40**	311

The effective interest rate of time deposits, denominated in HK$, US$, Japanese Yen, British Sterlings and RMB, with original maturity of less than three months are 0.58% to 5.23% per annum. They have a maturity of 7 days to 3 months 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$, US$ and RMB, with original maturity of more than three months are 4.50% to 7.80% per annum. They have a maturity of 5 months 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 RMB amounted to HK$10,026,000 (2006: HK$8,386,000). 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	
	2007	2006
	HK$'000	HK$'000
Trade payables	**96,702**	64,790
Amount due to a related company	**–**	206
	96,702	64,996

The amount due to a related company was trading in nature. At 31 March 2007, the aging analysis of the trade payables including amount due to a related company, based on invoiced date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 30 days	**51,264**	28,068
31 to 60 days	**17,310**	12,989
61 to 90 days	**11,506**	7,860
Over 90 days	**16,622**	16,079
	96,702	64,996

24. INTEREST-BEARING BORROWINGS

	Group	
	2007	2006
	HK$'000	HK$'000
Bank overdrafts, secured	**10,213**	1,365
Bank loans, secured	**59,452**	36,598
Trust receipt loans, secured	**4,395**	–
	74,060	37,963

24. INTEREST-BEARING BORROWINGS (Continued)

	Group	
	2007	2006
	HK$'000	HK$'000
Bank loans repayable		
Within one year or on demand	**31,408**	15,498
In the second year	**6,440**	5,400
In the third to fifth years, inclusive	**13,974**	15,700
Over five years	**7,629**	–
Trust receipt loans and bank overdrafts repayable within one year or on demand	**14,609**	1,365
	74,060	37,963
Less: Current portion due within one year included under current liabilities	**(46,017)**	(16,863)
Non-current portion included under long-term liabilities	**28,043**	21,100

The interest-bearing borrowings were secured by the pledge of certain land and buildings under property, plant and equipment, investment properties and properties held for sale with net book amount of approximately HK$21,781,000, HK$8,840,000 and HK$18,460,000 respectively, as at 31 March 2007, the details are set out in notes 14, 15 and 18 respectively, to the financial statements.

Details of the loans denominated in HK$ and RMB are stated below.

	Loan amount	Interest rate	Repayment terms
	HK$'000		
Loans denominated in HK$	46,100	HIBOR + 1% p.a.– HIBOR + 1.5% p.a.	Payable within 5 years
Loans denominated in RMB	13,351	6.16% p.a.	Payable over 5 years

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

25. SHARE CAPITAL

	2007 HK$'000	2006 HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
487,331,061 ordinary shares of HK$0.10 each	**48,733**	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:

	HK$'000	Number of shares
At 1 April 2005, 31 March 2006 and 1 April 2006	48,671	486,706,061
Issue of shares	62	625,000
At 31 March 2007	**48,733**	**487,331,061**

During the year, the issued share capital of the Company was increased from HK$48,671,000 to HK$48,733,000 due to the exercise of share options by an employee.

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.

26. SHARE OPTION SCHEMES (Continued)

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 2007, there were no outstanding options granted 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.

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. At 31 March 2007, there were no outstanding options granted under the New Scheme.

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

26. SHARE OPTION SCHEMES (Continued)

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

Year ended 31 March 2007

	Number of share options								Price of Company's shares***	
Name or category of participant	As at 1 April 2006	Cancelled during the year	Exercised during the year	Lapsed during the year	As at 31 March 2007	Date of grant of share options	Exercise period of share options	Exercise price of share options**	At grant date of options	At exercise date of options****
								HK$	HK$	HK$
Other employees										
In aggregate	625,000	–	(625,000)*	–	–	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	0.46
	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	**–**	**(625,000)**	**(500,000)**	**–**					

26. SHARE OPTION SCHEMES (Continued)

Year ended 31 March 2006

Name or category of participant	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price of share options**	Price of Company's shares***	
	As at 1 April 2005	Cancelled during the year	Exercised during the year	Lapsed during the year	As at 31 March 2006				At grant date of options	At exercise date of options****
								HK$	HK$	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**					

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 were exercised during the year ended 31 March 2007.

** 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 2007, the Company had no share options outstanding under the Old Scheme.

27. RESERVES

Group

	2007 HK$'000	2006 HK$'000
Share premium account	**66,843**	66,765
Contributed surplus	**34,080**	34,080
Asset revaluation reserve	**22,079**	19,324
Exchange reserve	**248**	5
Retained profits	**201,444**	198,233
	324,694	318,407

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 2005	66,765	116,795	2,121	185,681
Profit for the year	–	–	20,817	20,817
2005 final dividends proposed	–	–	14,601	14,601
2005 final dividends paid	–	–	(14,601)	(14,601)
Interim dividend	–	–	(4,867)	(4,867)
Proposed final dividend	–	–	(14,601)	(14,601)
At 31 March 2006 and 1 April 2006	66,765	116,795	3,470	187,030
Profit for the year	–	–	24,852	24,852
2006 final dividends proposed	–	–	14,601	14,601
2006 final dividends paid	–	–	(14,601)	(14,601)
Interim dividend	–	–	(4,873)	(4,873)
Proposed final dividend	–	–	(18,275)	(18,275)
Issue of ordinary shares	78	–	–	78
At 31 March 2007	**66,843**	**116,795**	**5,174**	**188,812**

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	**Revaluation of properties**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2005	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
Charge to income for the year	61	–	–	61
Credit to equity for the year	–	367	–	367
Balance at 31 March 2007	**2,802**	**1,797**	**–**	**4,599**

The net deferred tax asset was not recognised as at the balance sheet date in respect of tax losses of HK$343,000 (2006: HK$7,608,000) and general provisions of HK$109,000 (2006: HK$1,205,000) because the directors consider it appropriate not to recognise the benefit of any future tax relief since it is uncertain whether 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	Basic salaries, housing benefits, other allowances and benefits in kind	Discretionary bonus	Pension scheme contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2007					
Executive directors:					
Mr. Lui Chi	–	2,016	1,000	–	3,016
Mr. Lui Shing Ming, Brian	–	1,800	200	168	2,168
Mr. Lui Shing Cheong	–	1,584	150	106	1,840
Mr. Lui Shing Chung, Victor	–	1,440	150	132	1,722
Mr. Lung Wai Kee	–	960	160	52	1,172
Independent non-executive directors:					
Dr. Lam Chun Kong	120	–	–	–	120
Mr. Lo Wing Man	140	–	–	–	140
Dr. Ng Lai Man, Carmen	170	–	–	–	170
	430	7,800	1,660	458	10,348
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

29. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

29.1 Directors' remuneration (Continued)

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

	Group	
	2007	2006
	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**	2
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**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 2007, general banking facilities available to the Group amounted to HK$250,952,000 (2006: HK$126,100,000). The banking facilities utilised by the Group amounted to HK$75,680,000 (2006: HK$39,285,000) as at 31 March 2007.

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 the Group's properties held for sale (note 18); and

(d) corporate guarantees from the Company (note 31).

31. FINANCIAL GUARANTEES

At 31 March 2007, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK$150,252,000 (2006: HK$104,900,000) (note 30).

32. CAPITAL COMMITMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Acquisition of property, plant and equipment		
– contracted for	**1,130**	2,012
Investment in a subsidiary in the PRC	**3,803**	3,300
	4,933	5,312

The Company did not have any significant capital commitments at the balance sheet date (2006: 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 2007, the Group had total future minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**1,975**	2,056
In the second to fifth years, inclusive	**1,337**	927
	3,312	2,983

The Company does not have any minimum lease receipts under non-cancellable operating leases at the balance sheet date (2006: 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 2007, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2007		2006	
	Land and buildings	**Other assets**	Land and buildings	Other assets
	HK$'000	**HK$'000**	HK$'000	HK$'000
Within one year	**5,351**	355	6,368	297
In the second to fifth years, inclusive	**6,770**	681	10,720	1,036
After five years	**9,494**	–	10,469	–
	21,615	1,036	27,557	1,333

The Company did not have any significant operating lease commitments under non-cancellable operating leases at the balance sheet date (2006: Nil).

35. RELATED PARTY TRANSACTIONS

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

	2007	2006
	HK$'000	HK$'000
Commission	**5,891**	4,377
Sales of goods	**2,532**	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 2007, the Group's assets and liabilities mainly consisted of cash and cash equivalents, trade receivables, other receivables, financial assets at fair value through profit or loss, amount due from a related company, 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 2007, the Group was not exposed to any material exchange risk as the exchange of HK$, RMB and US$ were relatively stable under the current peg system. Further, with the natural hedging of the revenue and costs denominated in RMB, the Group's foreign exchange exposure in RMB was insignificant. No hedging for foreign currency transactions has been carried out during the year under review.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 2007 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.

36.4 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 cash equivalents, trade 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.

37. POST BALANCE SHEET EVENTS

(a) On 7 March 2007, the Group through one of its wholly-owned subsidiaries entered into a provisional sale and purchase agreement and subsequently on 31 March 2007 a formal sale and purchase agreement (the "Agreement") with a third party to dispose of its certain leasehold land and buildings (the "Properties") for an aggregate consideration of HK$33,579,800 in cash. Under the Agreement, the disposal of the Properties shall be completed on 21 May 2007 and a tenancy agreement shall be entered into by one of the Group's wholly-owned subsidiaries with the third party to lease back the Properties for a fixed term of two years commencing from 21 May 2007 to 20 May 2009 at monthly rental of HK$174,440, exclusive of air-conditioning charge, management fee and government rates and rent. On 21 May 2007, the disposal of the Properties was completed, the aggregated consideration of HK$33,579,800 was all settled and the tenancy agreement was entered. The Agreement constituted a discloseable transaction under Rule 14.06 of the Listing Rules and a circular containing details of the disposal of the Properties was dispatched to the Groups' shareholders on 30 March 2007.

(b) As detailed in note 17 (c) above, on 13 June 2007, all the required approval and consent were received from the relevant PRC authorities, the aggregate consideration was all settled and the Agreement was completed. Upon completion of the Agreement on 13 June 2007, 上海發絲達 became a wholly-owned subsidiary of the Company.

(c) On 25 May 2007, the Company announced that it aimed to raise about HK$40 million after expenses by issuing 121,832,765 new shares at a price of HK$0.35 per share (the "Rights Shares") through a proposed right issue by provisionally allotting 1 Rights Share for every 4 shares held by the qualifying shareholders of the Company. On 13 July 2007, dealings in the fully-paid Rights Shares commenced and the issued share capital of the Company increased from 487,331,061 shares before the right issue to 609,163,826 shares after the right issue.

Location	Use	Tenure	Percentage of attributable interest of the Group
6B, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
6A, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
13B, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
9A-B, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
10A-B, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
2A, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
No. 4 Parking Space, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100

PARTICULARS OF INVESTMENT PROPERTIES

Location	Use	Tenure	Percentage of attributable interest of the Group
No. 1 Parking Space, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
No. 11 Parking Space, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
No. 20 Parking Space, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100