08 Annual Report

CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 1196

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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 *(Resigned on 16 September 2007)*
Lam Chun Kong*
Lo Wing Man*
Ng Lai Man, Carmen*

* *Independent Non-executive Directors*

AUDIT COMMITTEE

Ng Lai Man, Carmen *(Chairman)*
Lam Chun Kong
Lo Wing Man

REMUNERATION COMMITTEE

Lo Wing Man *(Chairman)*
Ng Lai Man, Carmen
Lam Chun Kong
Lui Shing Ming, Brian

COMPANY SECRETARY

Lung Wai Kee *(Resigned on 16 September 2007)*
Fung Kwok Keung
(Appointed on 16 September 2007)

QUALIFIED ACCOUNTANT

Lung Wai Kee *(Resigned on 16 September 2007)*
Ng Wai Li, Adrian *(Appointed on 16 September 2007)*

SOLICITORS

Jennifer Cheung & Co.
Michael Li & Co.

INDEPENDENT AUDITORS

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

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

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

Tricor 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

COMPANY WEBSITE

http://www.cheongming.com

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 2008.

RESULTS

The Group recorded a total revenue of approximately HK$648.7 million and a profit attributable to equity holders of approximately HK$42.1 million for the year ended 31 March 2008. Basic earnings per share was HK7.2 cents, based on the weighted average of 584,951,519 ordinary shares in issue during the year.

DIVIDENDS

In order to maintain sufficient funds for potential investment opportunities and dealing with the deteriorating business environment, less final dividend was recommended this year. The Directors recommended the payment of a final dividend of HK2 cents (2007: HK3 cents) per share for the year ended 31 March 2008 to all shareholders whose names appear on the register of members of the Company on 19 August 2008, which is expected to be paid on or about 27 August 2008. This, together with the interim dividend of HK1 cent per share already paid on 30 January 2008, will bring the total dividend for the year to HK3 cents per share (2007: HK4 cents).

BUSINESS REVIEW

The Group achieved consistent revenue growth in a year of challenges and volatility. The continuing acceleration of inflationary pressure in surge of fuel, labour and raw material costs, and appreciation of Renminbi eroded the business environment within the printing industry. For the year under review, the Group recorded a total revenue of approximately HK$648.7 million, which represented a growth of about 12.8% to that of last corresponding year of approximately HK$574.9 million. Gross profit margin of the Group has improved to 24.6% for the year under review from that of the corresponding year of 23.9%. The Group's profit attributable to equity holders has enhanced by about 59.7% from that of last corresponding year of approximately HK$26.4 million, to approximately HK$42.1 million, which was mainly attributable by the approximately HK$15.0 million gain on disposal of commercial properties during the year.

The Group's major business continued to comprise printing and manufacture of packaging boxes, which included accompanying brochures, manuals and catalogues, together with the manufacture of children's novelty books. For the year under review, the aggregate revenue contributed from this major business segment has increased by about 8.3% to approximately HK$486.5 million when compared to last corresponding year of approximately HK$449.2 million. For the year under review, the revenue from this segment represented about 75% of the Group's revenue. This was resulted from the rise in customer demand through diversifying into value added products and moderate increase in product price.

CHAIRMAN'S STATEMENT

However, the advent of challenges from inflationary pressure in rising energy, freight and material costs, appreciation of Renminbi currency, and tightening of PRC labour regulations have pushed up operating costs and eroded profit margin. Subject to the consumer safety issue in the United States concerning China sourced consumer products, the Group has incurred additional production cost and extended manufacturing lead time in the areas of product quality control and product inspection. In view of the deterioration of the macro-economic environment, the directors have adopted immediate stringent cost control measures to slim operating scale and converted fixed cost components into variable cost items. The gradual reduction in fixed production costs have neutralised a portion of the inflationary drawback. With the growth in revenue, the segment result from this business segment was slightly improved from last corresponding year of approximately HK$9.9 million to approximately HK$12.6 million for the year ended 31 March 2008.

The manufacture and distribution of hangtags, labels, shirt paper boards and plastic bags segment achieved substantial growth through consistent organic expansion into the Eastern China market and Hong Kong market during the year under review. The Group reported an increase in revenue of about 60.8% in this segment for the year under review as compared to that of last corresponding year. For the year ended 31 March 2008, the revenue from this segment represented about 13.7% of the Group's total revenue.

The segment result was increased from last corresponding year of approximately HK$11.4 million to HK$20.6 million for the year ended 31 March 2008. The improvement in performance of this business segment was mainly due to the increase in contribution from 上海發絲達印刷有限公司 (for identification purpose only, in English, Shanghai Fastabs Printing Company Limited ("Shanghai Fastabs")) through the acquisition of additional equity interest of Shanghai Fastabs from Fastabs Limited, at a consideration of approximately £0.5 million (equivalent to approximately HK$7.4 million) in cash during the year. With a view to centralising manufacturing capacity in Guangdong province to achieve economies of scale and execute comprehensive cost control strategy, the Group disposed Shanghai Fastabs to an independent third party at a consideration of RMB13 million (equivalent to approximately HK$14 million) on 30 November 2007 and a loss of approximately HK$0.9 million was recorded.

The Group's business in the commercial printing reported steady growth. The revenue and segment result for the year ended 31 March 2008 was approximately HK$73.6 million and HK$11.9 million, respectively as compared to last corresponding year of approximately HK$70.6 million and HK$8.0 million, respectively. The increase was mainly resulted from the prosperity of the Hong Kong financial market which promoted listed companies' corporate finance activities and offered the Group's commercial printing business with increasing numbers of commercial opportunities in provision of design, printing and translation of brochure and circular services. The expansion of business volume has superseded the business drawback arising from changes in statutory requirement which provided listed companies with options to have announcements to be either advertised in newspapers or hosted in websites.

For better jobs alliance and coordination in order to strengthen operational efficiency and cost effectiveness, the Group has been taking steps relocating part of its back offices to the Mainland China. The Group has established a brand new office in a commercial building namely, Excellence Times Square, situated in Shenzhen, the PRC. Taking into account the recent prevailing economic boom and encouraging property market sentiment within Hong Kong, and consistent with the long-term development strategy of the Group to relocate part of its back offices to the PRC in various stages, the Group 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 the gain on the disposal was approximately HK$15.0 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 from the Group's rights issue engagement announced on 25 May 2007 in which 1 rights share was allotted provisionally for every 4 shares held by qualifying shareholders. The net proceeds of the right issue of HK$15 million had been used to repay bank indebtedness, expansion of production capacity of approximately HK$10 million, construction of environmental protection structures in Dongguan factories and commercial building renovation in Shenzhen office and working capital of approximately HK$15 million.

FINANCIAL REVIEW

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 healthy. As at 31 March 2008, the Group has available aggregate banking facilities of approximately HK$311.4 million which were secured by legal charges on certain properties owned by the Group. The Group's cash and bank balances and short term bank deposits as at 31 March 2008 amounted to approximately HK$116.2 million.

The Group's gearing ratio as at 31 March 2008 was 9.0% (31 March 2007: 18.9%), basing on the short term and long term interest bearing bank borrowings of HK$41.5 million (31 March 2007: HK$74.1 million) and the equity attributable to equity holders of the Company of HK$461.7 million (31 March 2007: HK$391.7 million). It is believed that the Group's cash holding, liquid asset value, future revenue and available facilities will be sufficient to fulfill working capital requirements of the Group.

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 2008, 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. With the natural hedging of the revenue and costs denominated in Renminbi, the Group's foreign exchange exposure was insignificant in this respect.

During the year, the Group has entered into a structured forward instrument in relation to US dollars and RMB which is included in financial assets at fair value through profit or loss. As stipulated in the contract, the Group endured exchange loss when the exchange rate of RMB against US dollars falls within certain range due to depreciation of RMB.

Financial Guarantees and Charges on Assets

As at 31 March 2008, corporate guarantees amounting to approximately HK$127.2 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$46.5 million.

PROSPECTS

In anticipation of subsisting serve price competition within printing industry, continuous labour and raw material costs rising pressure, and consistent appreciation of the Renminbi currency, the Group implements stringent cost controls and effectiveness strategies for the purpose of sustaining profitability. The Group re-centralises its resources and production capacity in the Guangdong province with a view to strengthening its cost effectiveness controls through economies of scale and adopts measures in conversion of the PRC fixed manufacturing and operating costs into flexible and variable components. On the other hand, the Group strives to transfer part of the cost to customers by increasing in product price, and strengthen customer base and loyalty through implementation of value added activities targeted to satisfy specific customer needs.

Dealing with the deteriorating business environment in the printing industry, the Group will continuously devote efforts in improving the operation performance in accordance with the principle of caution and prudence while actively identifying potential investment opportunities for diversification. It is believed that the Group is gearing on its long-established foundation and well positioned to capture new investment opportunities for the enhancement of shareholders' value.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2008, the Group had an available workforce of 2,433, of which 2,241 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.

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 2008.

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, 18 July 2008

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

Mr. Lui Chi, aged 87, 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 48, 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 54, 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 45, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Chun Kong, aged 56, 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 was an independent non-executive director of Linfair Holdings Limited (Stock Code: 462) until 8 April 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Lo Wing Man, aged 54, 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 43, is a practising accountant in Hong Kong and she has nearly 20 years of experience in professional accounting and corporate finance in Hong Kong, China, United States, and Europe. She is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Certified Chartered Accountants in United Kingdom, and an associate member of the Institute of Chartered Accountants in England and Wales. She received her Doctor of Business Administration degree from The Hong Kong Polytechnic University, Master in Laws (Corporate and Finance Laws) degree from The University of Hong Kong, Master in Business Administration degree from The Chinese University of Hong Kong, and Master in Professional Accounting degree from The Hong Kong Polytechnic University. 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. Lu Xiao Dong, aged 35, is the General Manager of the Group. Mr. Lu received a bachelor's degree in economics from Nankai University in 1996 and has nearly 10 year experience in investment banking and extensive experience in merger and acquisition, corporate finance, company reconstruction and initial public offering.

Mr. Yuen Hung, aged 73, 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 63, 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 47, 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 48, 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

SENIOR MANAGEMENT (Continued)

Miss Ng Shuk Fong, Aman, aged 43, 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. Ong King Keung, aged 32, is the Chief Financial Officer of the Group. He holds a Master Degree in Corporate Finance from the City University of Hong Kong and Bachelor Degree in Accountancy from The Hong Kong Polytechnic University, and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of Association of Chartered Certified Accountants.

Mr. Ng Wai Li, Adrian, aged 38, 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 associate 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. Fung Kwok Keung, aged 35, is the Company Secretary and Accounting Manager of the Group. He holds a Master Degree in Business Administration from the University of Northumbria at Newcastle, United Kingdom and a Bachelor of Arts Honours Degree in Accountancy from The Hong Kong Polytechnic University. Mr. Fung is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Fung joined the Group in December 2006.

Mr. Li Chun Sing, aged 51, 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 42, 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 47, 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.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements for the year ended 31 March 2008.

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 2008 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 99.

An interim dividend of HK1 cent per ordinary share, amounting to an aggregate of approximately HK$6,092,000 was paid in the form of cash on 30 January 2008.

The Directors recommend the payment of a final dividend of HK2 cents per ordinary share, totalling approximately HK$12,183,000 in respect of the year ended 31 March 2008 to all shareholders whose names appear on the register of members of the Company on 19 August 2008, which is expected to be paid on or about 27 August 2008. 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 2004, 2005 and 2006 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 2007.

SUMMARY FINANCIAL INFORMATION (Continued)

Results

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**648,730**	574,882	554,343	502,183	446,082
Profit from operations	**51,832**	33,812	47,970	38,764	43,891
Finance costs	**(3,047)**	(2,182)	(1,558)	(638)	(155)
Profit before income tax	**48,785**	31,630	46,412	38,126	43,736
Income tax expense	**(6,687)**	(4,730)	(6,347)	(3,175)	(4,640)
Profit for the year	**42,098**	26,900	40,065	34,951	39,096
Attributable to:					
Equity holders of the Company	**42,098**	26,359	40,662	34,951	39,096
Minority interests	**–**	541	(597)	–	–
Profit for the year	**42,098**	26,900	40,065	34,951	39,096

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and Liabilities

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**187,132**	183,941	189,710	192,093	213,522
Investment properties	**460**	19,430	18,220	16,462	13,950
Prepaid lease payments	**16,071**	16,472	14,502	14,875	–
Goodwill	**–**	–	–	211	316
Current assets	**424,609**	385,869	303,427	284,300	230,708
Total assets	**628,272**	605,712	525,859	507,941	458,496
Current liabilities	**140,766**	176,901	117,706	135,825	97,590
Interest-bearing borrowings	**17,837**	28,043	21,100	12,000	17,120
Deferred tax	**7,961**	4,599	4,171	3,492	5,826
Total liabilities	**166,564**	209,543	142,977	151,317	120,536
Net assets	**461,708**	396,169	382,882	356,624	337,960
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 page 100.

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.

REPORT OF THE DIRECTORS

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 2008, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$137,439,000 (2007: HK$140,244,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended), of which HK$12,183,000 (2007: HK$18,275,000) has been proposed as a final dividend for the year. In addition, the Company's share premium account, with a balance of HK$95,595,000 as at 31 March 2008, 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 23% 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 30% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 12% 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 (Resigned on 16 September 2007)

Independent non-executive directors:

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

Mr. Lui Chi, Dr. Ng Lai Man, Carmen and Dr. Lam Chun Kong 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.

The Company has received annual confirmation of independence from Dr Lam Chun Kong, Mr Lo Wing Man and Dr Ng Lai Man, Carmen and still considers them to be independent.

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 2008, 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	–	315,939,286 *(Note 1)*	315,939,286 *(Note 1)*	315,939,286	51.86%
Mr. Lui Shing Ming, Brian	5,468,750	–	315,939,286 *(Note 2)*	321,408,036	52.76%
Mr. Lui Shing Cheong	3,906,250	–	315,939,286 *(Note 2)*	319,845,536	52.51%
Mr. Lui Shing Chung, Victor	3,906,250	1,562,500 *(Note 3)*	315,939,286 *(Note 2)*	321,408,036	52.76%

Notes:

1. Mr. Lui Chi is interested in 315,939,286 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 315,939,286 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 1,562,500 shares are owned by the spouse of Mr. Lui Shing Chung, Victor.

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

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 2008, 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 2008, 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	315,939,286 *(Note 1)*	51.86%
Madam Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	321,408,036 *(Note 2)*	52.76%
Harmony Link Corporation	Long	Beneficial owner	315,939,286	51.86%
The Lui Family Company Limited	Long	Trustee	315,939,286 *(Note 3)*	51.86%
Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited")	Long	Trustee	315,939,286 *(Note 3)*	51.86%

SUBSTANTIAL SHAREHOLDERS (Continued)

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 315,939,286 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 1,562,500 shares held by Madam Ng Shuk Fong, Aman personally and interests in 319,845,536 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 315,939,286 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.

Save as disclosed above, as at 31 March 2008, 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 5% 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 respectively.

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 2008, the outstanding number of shares in respect of which share options granted had either been exercised or lapsed under the Old Scheme in last year 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 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 matters and internal controls.

The audit committee has reviewed with the management about 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 2008.

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 ("Shanghai Fastabs"), 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 Shanghai Fastabs 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. In March 2007, the Group entered into an agreement to acquire the remaining 45% equity interest of Shanghai Fastabs from Fastabs. Shanghai Fastabs became wholly owned subsidiary of the Company after the completion of acquisition in June 2007. Fastabs was also substantial shareholder of C&M Printing Limited since 23 May 2006. Since November 2007, Fastabs was not substantial shareholder of any subsidiaries of the Company after disposal of its shareholding in C&M Printing Limited.

CONTINUING CONNECTED TRANSACTIONS (Continued)

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 2008, the total consideration of the Sale Transactions amounted to approximately HK$3.6 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 at 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 2008, the total monthly and annual commissions paid to Fastabs amounted to approximately HK$4.0 million.

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 three years ending 31 March 2009.

CONTINUING CONNECTED TRANSACTIONS (Continued)

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 2008:

(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.

CONNECTED TRANSACTION

During the year, the Company had the following connected transaction, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

On 29 March 2007, Chun Ming entered into an agreement with Fastabs, a connected person of the Company, for the acquisition of 45% equity interest in Shanghai Fastabs for an aggregate consideration of £480,000 (approximately HK$7,425,000) in cash. The acquisition was completed in June 2007. After the acquisition, Shanghai Fastabs become an indirect wholly owned subsidiary of the Company.

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 40 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, 18 July 2008

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 2008 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 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 2008.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is governed by a board of directors (the "Board") which has the responsibility for leadership and monitoring of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. As at the date of this report, the Board comprises seven directors of which four are executive directors and three are independent non-executive directors.

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 2008. 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 *(Resigned on 16 September 2007)*	2/4
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 to assume a balance of authority and power.

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

The independent non-executive directors of the Company are persons with academic and professional qualifications. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory requirements. Each independent non-executive director of the Company gives an annual confirmation of the independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

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 this meeting was as follows:

Name	Number of meeting 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.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 March 2008, 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 2008.

Internal Controls

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 2008 on areas where rooms for improvement were identified.

AUDITORS' REMUNERATION

For the year ended 31 March 2008, 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	933
Non-audit services	
– Review on 2007 interim results	120
– Review on 2008 announcement of annual results	33
	1,086

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

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in circulars to the shareholders to facilitate the enforcement of shareholders' rights;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.cheongming.com contains extensive information and updates on the Company's business developments and operations, financial information and other information.

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

Member of Grant Thornton International Ltd

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 99, which comprise the consolidated and company balance sheets as at 31 March 2008, 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 2008 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

18 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	6	**648,730**	574,882
Cost of sales		**(489,287)**	(437,267)
Gross profit		**159,443**	137,615
Other operating income	7	**37,187**	10,742
Selling and distribution costs		**(29,175)**	(28,160)
Administrative expenses		**(100,603)**	(86,385)
Other operating expenses		**(15,020)**	–
Profit from operations	8	**51,832**	33,812
Finance costs	9	**(3,047)**	(2,182)
Profit before income tax		**48,785**	31,630
Income tax expense	10	**(6,687)**	(4,730)
Profit for the year		**42,098**	26,900
Attributable to:			
Equity holders of the Company	11	**42,098**	26,359
Minority interests		**–**	541
Profit for the year		**42,098**	26,900
Dividends	12	**18,275**	23,148
			(Restated)
Earnings per share for profit attributable to the equity holders of the Company during the year	13		
– Basic		**HK7.20 cents**	HK5.06 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**187,132**	183,941
Investment properties	15	**460**	19,430
Prepaid lease payments	16	**16,071**	16,472
		203,663	219,843
Current assets			
Properties held for sale	18	**24,632**	18,460
Inventories	19	**65,415**	72,726
Trade receivables	20	**109,233**	136,141
Prepayments, deposits and other receivables		**15,188**	14,211
Financial assets at fair value through profit or loss	21	**93,975**	49,756
Amount due from a related company	20	**–**	2,190
Cash and cash equivalents	22	**116,166**	92,385
		424,609	385,869
Current liabilities			
Trade payables	23	**78,307**	96,702
Accrued liabilities and other payables		**28,944**	20,398
Interest-bearing borrowings	24	**23,687**	46,017
Tax payable		**9,828**	13,784
		140,766	176,901
Net current assets		**283,843**	208,968
Total assets less current liabilities		**487,506**	428,811
Non-current liabilities			
Interest-bearing borrowings	24	**17,837**	28,043
Deferred tax	28	**7,961**	4,599
		25,798	32,642
Net assets		**461,708**	396,169

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	**60,916**	48,733
Reserves	27	**388,609**	324,694
Proposed dividend	12	**12,183**	18,275
		461,708	391,702
Minority interests		**–**	4,467
Total equity		**461,708**	396,169

LUI SHING MING, BRIAN
Director

LUI SHING CHUNG, VICTOR
Director

BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	**116,995**	116,995
Current assets			
Amounts due from subsidiaries	17	**179,333**	143,449
Prepayments, deposits and other receivables		**284**	109
Cash and cash equivalents	22	**180**	40
		179,797	143,598
Current liabilities			
Amounts due to subsidiaries	17	**2,307**	2,314
Accrued liabilities and other payables		**535**	2,459
		2,842	4,773
Net current assets		**176,955**	138,825
Total assets less current liabilities		**293,950**	255,820
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	**60,916**	48,733
Reserves	27	**220,851**	188,812
Proposed dividend	12	**12,183**	18,275
Total equity		**293,950**	255,820

LUI SHING MING, BRIAN
Director

LUI SHING CHUNG, VICTOR
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
Profit before income tax	**48,785**	31,630
Adjustments for:		
Interest expense	**3,047**	2,182
Interest income	**(6,731)**	(4,570)
Impairment loss of goodwill arising from acquisition of additional interests in a subsidiary	**2,958**	–
Dividend income from listed investments	**(458)**	(284)
Gain on disposal of listed investments	**(1,439)**	(644)
Gain on disposal of unlisted investments	**(2,532)**	(17)
Gain on disposal of property, plant and equipment	**(644)**	(233)
Gain on disposal of properties held for sale	**(14,959)**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	**10,377**	(173)
Depreciation of property, plant and equipment	**24,964**	26,511
Amortisation of prepaid lease payments	**401**	472
Surplus on revaluation of leasehold land and buildings	**(1,214)**	(1,002)
Fair value gain on investment properties	**(80)**	(1,210)
Gain on properties held for sale	**(3,485)**	–
Provision for impairment on trade receivables	**87**	443
Provision for impairment on other receivables	**810**	–
Loss on disposal of a subsidiary	**875**	–
Operating profit before working capital changes	**60,762**	53,105
Decrease/(Increase) in inventories	**4,832**	(22,858)
Decrease/(Increase) in trade receivables	**19,393**	(26,107)
Decrease/(Increase) in prepayments, deposits and other receivables	**1,116**	(5,514)
Increase in financial assets at fair value through profit or loss	**(50,625)**	(13,050)
Decrease in amount due from a related company	**2,200**	533
(Decrease)/Increase in trade payables	**(13,806)**	31,912
Increase in accrued liabilities and other payables	**9,258**	55
Decrease in amount due to a related company	**–**	(206)
Cash generated from operations	**33,130**	17,870
Interest received	**6,731**	4,570
Interest paid	**(3,047)**	(2,182)
Dividend income from listed investments	**458**	284
Dividends paid	**(24,367)**	(19,471)
Income tax paid	**(10,262)**	(6,392)
Net cash generated from/(used in) operating activities	**2,643**	(5,321)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment and land use rights		**(20,711)**	(38,212)
Placement/(Withdrawal) of bank deposits		**27,546**	(19,532)
Proceeds from disposal of property, plant and equipment		**1,319**	925
Proceeds from disposal of properties held for sale		**33,381**	–
Acquisition of additional interests in a subsidiary	36a	**(7,425)**	–
Proceeds from disposal of a subsidiary, net of cash disposed	36b	**7,003**	–
Net cash generated from /(used in) investing activities		**41,113**	(56,819)
Cash flows from financing activities			
Increase in trust receipt loans		**–**	4,395
Repayment of trust receipt loans		**(4,396)**	–
Proceeds from issuance of ordinary shares through exercise of share options		**–**	140
Repayment of bank loans		**(45,973)**	(5,580)
Borrowing of bank loans		**27,500**	28,434
Net proceeds from rights issue		**41,135**	–
Net cash generated from financing activities		**18,266**	27,389
Net increase/(decrease) in cash and cash equivalents		**62,022**	(34,751)
Cash and cash equivalents at beginning of year		**54,626**	89,134
Effect of foreign exchange rate changes		**(1,028)**	243
Cash and cash equivalents at end of year	22	**115,620**	54,626

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Equity attributable to equity holders of the Company									Minority interests	Total equity
	Share capital	Share premium account	Contributed surplus	Asset revaluation reserve	Capital 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 2007	48,733	66,843	34,080	22,079	–	248	201,444	18,275	391,702	4,467	396,169
Exchange difference on consolidation	–	–	–	–	–	(1,028)	–	–	(1,028)	–	(1,028)
Reserve realised upon disposal of land and buildings	–	–	–	(2,878)	–	–	2,878	–	–	–	–
Reversal of deferred tax upon disposal of land and buildings	–	–	–	(374)	–	–	475	–	101	–	101
Revaluation surplus on leasehold land and buildings	–	–	–	15,193	–	–	–	–	15,193	–	15,193
Deferred tax charge	–	–	–	(3,126)	–	–	–	–	(3,126)	–	(3,126)
Net income recognised directly in equity	–	–	–	8,815	–	(1,028)	3,353	–	11,140	–	11,140
Profit for the year	–	–	–	–	–	–	42,098	–	42,098	–	42,098
Total recognised income for the year	–	–	–	8,815	–	(1,028)	45,451	–	53,238	–	53,238
Issue of ordinary shares	12,183	30,458	–	–	–	–	–	–	42,641	–	42,641
Share issuance expenses	–	(1,506)	–	–	–	–	–	–	(1,506)	–	(1,506)
Acquisition of minority shares in a subsidiary	–	–	–	–	–	–	–	–	–	(4,467)	(4,467)
Transfer to capital reserve	–	–	–	–	9,900	–	(9,900)	–	–	–	–
Final 2007 dividend paid	–	–	–	–	–	–	–	(18,275)	(18,275)	–	(18,275)
Interim 2008 dividend paid	–	–	–	–	–	–	(6,092)	–	(6,092)	–	(6,092)
Proposed final 2008 dividend	–	–	–	–	–	–	(12,183)	12,183	–	–	–
At 31 March 2008	**60,916**	**95,795**	**34,080**	**30,894**	**9,900**	**(780)**	**218,720**	**12,183**	**461,708**	**–**	**461,708**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

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 99 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 2008 were approved by the board of directors on 18 July 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

Adoption of new or amended HKFRSs effective on or after 1 April 2007

From 1 April 2007, the Company and its subsidiaries (hereafter collectively referred to as the "Group") has adopted the new and amended HKFRSs which are first effective on 1 April 2007 and relevant to the Group.

The adoption of these new or amended HKFRSs did not result in significant changes to the Group's or the Company's accounting policies but gave rise to additional disclosures.

As a result of the adoption of HKAS 1 (Amendment) "Presentation of Financial Statements: Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures", there have been some additional disclosures provided as follows:

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and process for managing capital. These new disclosures are set out in note 38 to the financial statements.

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extend of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "Financial Instruments: Disclosures and Presentation". These disclosures are provided throughout these financial statements, in particular in note 37 to the financial statements.

The amendment to HKFRS 7 does not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 1 (Revised) (Amendment)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[4]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK (IFRIC) – Interpretation 12	Service Concession Arrangements[2]
HK (IFRIC) – Interpretation 13	Customer Loyalty Programmes[3]
HK (IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 July 2009

HKAS 1 (Revised) affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of these amendments on the Group's financial statements.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

The revised HKFRS 3 introduced a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Furthermore, it changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The revised HKFRS 3 and HKAS 27 shall be applied prospectively and will affect future acquisition and transactions with minority interests.

The Group is in the process of assessing the impact of the other new or revised HKFRSs but is not yet in a position to state whether they would have material impact on the Group's financial statements.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

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

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 are stated at revalued amounts being fair value at the date of revaluation less any subsequent depreciation and subsequent impairment losses. 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 and/or for capital appreciation.

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 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 recognised 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)

3.7 Financial assets (Continued)

Financial assets carried at amortised cost (Continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

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 Goodwill

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.10 Impairment of assets

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired.

All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of assets (Continued)

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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

Impairment losses on goodwill is not reversed in subsequent periods. In respect of other assets, 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.

3.11 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)

3.12 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, accrued liabilities and other payables*

These payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Accounting for income taxes (Continued)

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 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)

3.14 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.

3.15 Share capital

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

The transaction costs of an equity transaction are accounted for as a deduction from share premium (net of any related income tax benefit) to the extent of their incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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 are determined 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Foreign currency translation (Continued)

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.

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 of the consideration received or receivable 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Recognition of revenue (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Segment reporting

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

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of 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. Segment liabilities comprise trade payables, accrued liabilities and other payables.

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

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

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

3.21 Related parties

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

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

(b) the party is an associate;

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Related parties (Continued)

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) 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 ("LCH"), and the fair value of the leasehold land and buildings and investment properties are set out in notes 14 and 15, respectively, to the financial statements. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

(a) Provision for impairment of receivables

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

(b) Finance lease and operating lease

Certain 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 revenue, profit and asset, liability and expenditure information for the Group's business segments.

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**486,549**	449,156	**88,579**	55,093	**73,602**	70,633	**–**	–	**648,730**	574,882
Intersegment sales	**16,509**	13,447	**61**	–	**581**	425	**(17,151)**	(13,872)	**–**	–
Total	**503,058**	462,603	**88,640**	55,093	**74,183**	71,058	**(17,151)**	(13,872)	**648,730**	574,882
Segment results	**12,606**	9,872	**20,583**	11,362	**11,912**	8,008	**–**	–	**45,101**	29,242
Interest income									**6,731**	4,570
Profit from operations									**51,832**	33,812
Finance costs									**(3,047)**	(2,182)
Profit before income tax									**48,785**	31,630
Income tax expense									**(6,687)**	(4,730)
Profit for the year									**42,098**	26,900

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	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Segment assets	451,773	450,327	20,179	32,479	40,154	30,521	–	–	512,106	513,327
Unallocated assets									116,166	92,385
Total assets									628,272	605,712
Segment liabilities	93,310	78,790	9,131	8,635	12,771	34,274	–	–	115,212	121,699
Unallocated liabilities									51,352	87,844
Total liabilities									166,564	209,543
Other segment information:										
Depreciation on property, plant and equipment	22,062	22,462	2,037	3,447	865	602	–	–	24,964	26,511
Amortisation of prepaid lease payments	137	373	–	–	264	99	–	–	401	472
Impairment loss of goodwill arising from acquisition of additional interests in a subsidiary	–	–	2,958	–	–	–	–	–	2,958	–
Capital expenditure	15,103	8,715	3,382	6,737	2,226	22,760	–	–	20,711	38,212
Surplus on revaluation of leasehold land and buildings recognised in the income statement	(1,214)	(1,002)	–	–	–	–	–	–	(1,214)	(1,002)
Fair value gain on investment properties recognised in the income statement	(80)	(1,210)	–	–	–	–	–	–	(80)	(1,210)
Gain on properties held for sale recognised in the income statement	(3,485)	–	–	–	–	–	–	–	(3,485)	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	10,377	(173)	–	–	–	–	–	–	10,377	(173)
Other non-cash expenses	8,373	962	1,378	602	1,317	818	–	–	11,068	2,382

5. SEGMENT INFORMATION (Continued)

5.2 Geographical segments

The following table presents revenue, 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	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Segment revenue:										
Sales to external customers	**486,616**	435,499	**46,100**	32,172	**88,292**	83,160	**27,722**	24,051	**648,730**	574,882
Other segment information:										
Segment assets	**295,740**	283,160	**216,366**	230,167	**–**	–	**–**	–	**512,106**	513,327
Unallocated assets									**111,166**	92,385
Total assets									**628,272**	605,712
Capital expenditure	**4,733**	4,131	**15,978**	34,081	**–**	–	**–**	–	**20,711**	38,212

6. REVENUE

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

7. OTHER OPERATING INCOME

	2008 HK$'000	2007 HK$'000
Gross rental income from investment properties	**2,214**	2,018
Interest income	**6,731**	4,570
Dividend income from listed investments	**458**	284
Gain on disposal of listed investments	**1,439**	644
Gain on disposal of unlisted investments	**2,532**	17
Gain on disposal of property, plant and equipment	**644**	233
Gain on disposal of properties held for sale	**14,959**	–
Fair value gain on investment properties	**80**	1,210
Gain on properties held for sale	**3,485**	–
Exchange gain, net	**1,123**	–
Fair value gain on financial assets at fair value through profit or loss	**–**	173
Surplus on revaluation of leasehold land and buildings	**1,214**	1,002
Sundry income	**2,308**	591
	37,187	10,742

8. PROFIT FROM OPERATIONS

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

	2008 HK$'000	2007 HK$'000
Amortisation of prepaid lease payments*	**401**	472
Auditors' remuneration	**1,086**	1,013
Cost of inventories sold	**458,820**	399,270
Cost of services rendered	**30,467**	37,997
Depreciation on property, plant and equipment**	**24,964**	26,511
Exchange loss, net	**–**	667
Impairment loss of goodwill arising from acquisition of additional interests in a subsidiary (included in other operating expenses)	**2,958**	–
Gain on disposal of property, plant and equipment	**(644)**	(233)
Loss on disposal of a subsidiary (included in other operating expenses)	**875**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	**10,377**	(173)
Operating lease charges on land and buildings***	**9,814**	6,597
Provision for impairment		
– trade receivables (included in administrative expenses)	**87**	443
– other receivables (included in other operating expenses)	**810**	–
Staff costs (excluding directors' remuneration)		
Wages and salaries****	**108,725**	100,149
Provision for long services payment	**–**	965
Net pension scheme contributions	**9,002**	2,478
Rental income from investment properties, net of outgoings	**(1,322)**	(1,702)

* Amortisation of prepaid lease payments of HK$385,000 (2007: HK$121,000) has been expensed in cost of sales and HK$16,000 (2007: HK$351,000) in administrative expenses.

** Depreciation on property, plant and equipment of HK$20,354,000 (2007: HK$21,865,000) has been expensed in cost of sales and HK$4,610,000 (2007: HK$4,646,000) in administrative expenses.

*** Operating lease charges on land and buildings of HK$2,585,000 (2007: HK$1,674,000) has been expensed in cost of sales and HK$7,229,000 (2007: HK$4,923,000) in administrative expenses.

**** Wages and salaries of HK$59,316,000 (2007: HK$57,342,000) has been expensed in cost of sales and HK$49,409,000 (2007: HK$42,807,000) in administrative expenses.

9. FINANCE COSTS

	Group 2008 HK$'000	2007 HK$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	**2,139**	2,116
Interest on bank loans not wholly repayable within five years	**908**	66
	3,047	2,182

10. INCOME TAX EXPENSE

The tax charge comprises:

	Group 2008 HK$'000	2007 HK$'000
Current tax – Hong Kong		
Tax for the year	**5,531**	3,300
(Over)/Under provision in respect of prior years	**(356)**	177
	5,175	3,477
Current tax – overseas		
Tax for the year	**1,175**	1,520
Over provision in respect of prior years	**–**	(328)
	1,175	1,192
Deferred tax		
Current year – tax charge (note 28)	**337**	61
	6,687	4,730

10. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the year. Taxes on overseas profits have been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

Deferred tax is accounted for using the balance sheet liability method at the rate of 17.5% (2007: 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	
	2008	2007
	HK$'000	HK$'000
Profit before income tax	**48,785**	31,630
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**8,179**	5,289
Tax effect on non-deductible expenses	**3,348**	2,336
Tax effect on non-taxable revenue	**(4,150)**	(3,708)
Tax effect of utilisation of tax losses not previously recognised	**(488)**	(62)
Tax effect on tax loss not recognised	**68**	528
Tax effect on taxable temporary differences not recognised	**86**	498
Over provision in prior years	**(356)**	(151)
Income tax expense	**6,687**	4,730

11. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$42,098,000 (2007: HK$26,359,000), a profit of HK$21,562,000 (2007: HK$24,852,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends attributable to the year

	2008 HK$'000	2007 HK$'000
Interim dividend of HK1 cent (2007: HK1 cent) per ordinary share	**6,092**	4,873
Proposed final dividend of HK2 cents (2007: HK3 cents) per ordinary share	**12,183**	18,275
	18,275	23,148

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 2008.

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

	2008 HK$'000	2007 HK$'000
Final dividend in respect of the previous financial year	**18,275**	14,598

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's consolidated profit attributable to equity holders of the Company for the year ended 31 March 2008 of approximately HK$42,098,000 (2007: HK$26,359,000) and on the weighted average of 584,951,519 (2007: 520,913,019 (restated)) ordinary shares in issue as adjusted to reflect the rights issue during the year and as if the event had occurred at the beginning of the earlier year reported.

No diluted earnings per share has been presented as there had been no dilutive potential shares in both years of 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

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 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 and 1 April 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**
Year ended 31 March 2008							
Opening net book amount	101,367	69,634	5,047	4,920	93	2,880	183,941
Additions	1,785	13,687	1,351	2,365	1,355	168	20,711
Transfer to properties held for sale	(2,590)	–	–	–	–	–	(2,590)
Disposals and write-off, net	(361)	(122)	(32)	(160)	–	–	(675)
Disposal of a subsidiary (note 36(b))	–	(4,764)	(910)	(281)	–	(236)	(6,191)
Revaluation surplus	16,900	–	–	–	–	–	16,900
Depreciation	(2,853)	(17,948)	(1,720)	(1,235)	(66)	(1,142)	(24,964)
Closing net book amount	**114,248**	**60,487**	**3,736**	**5,609**	**1,382**	**1,670**	**187,132**
At 31 March 2008							
Cost or valuation	114,248	250,047	30,293	15,198	1,458	8,690	419,934
Accumulated depreciation	–	(189,560)	(26,557)	(9,589)	(76)	(7,020)	(232,802)
Net book amount	**114,248**	**60,487**	**3,736**	**5,609**	**1,382**	**1,670**	**187,132**

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 2008 which was performed by LCH, an independent firm of professional valuers, on the basis of Market Value, at HK$13,808,000. The valuation was arrived at using sales comparison approach on the assumption that the Group sells the property on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value. The resulting reversal of previously recognised revaluation deficit amounting to HK$1,214,000 (2007: 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 2008 which was performed by LCH, on the basis of Depreciated Replacement Cost, at HK$100,440,000, on the assumption that the Group has free and uninterrupted rights to use the property interests for the whole of the unexpired terms as granted and any premiums payable have already been paid in full. The resulting revaluation surplus amounting to HK$15,193,000 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$10,679,000 (2007: HK$18,962,000).

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$27,040,000 (2007: HK$26,033,000).

At the balance sheet date, certain of the Group's leasehold land and buildings amounting to HK$33,731,000 (2007: HK$21,781,000) 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$11,998,000 (2007: HK$12,000,000) are held on medium term leases between 10 to 50 years.

The analysis of the cost or valuation at 31 March 2008 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	–	250,047	30,293	15,198	1,458	8,690	305,686
At valuation	114,248	–	–	–	–	–	114,248
	114,248	250,047	30,293	15,198	1,458	8,690	419,934

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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	
	2008	2007
	HK$'000	HK$'000
Changes to the carrying amounts presented in the balance sheet are summarised as follows:		
Carrying amount at 1 April	**19,430**	18,220
Net gain from fair value adjustments	**3,072**	1,210
Transfer to properties held for sale	**(22,042)**	–
Carrying amount at 31 March	**460**	19,430

The Group's investment properties were revalued, on the basis of Market Value, at HK$460,000 by LCH as at 31 March 2008. The valuation was arrived at using investment approach on the assumption that the Group sells the property on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value. The resulting revaluation surplus amounting to HK$80,000 (2007: HK$1,210,000) was credited to the income statement. The remaining revaluation surplus amounting to HK$2,992,000 (2007: Nil) was transferred to properties held for sale.

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$Nil (2007: HK$8,840,000) 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 100.

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	
	2008	2007
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**907**	930
Outside Hong Kong held on:		
Leases of between 10 to 50 years	**15,164**	15,542
	16,071	16,472

	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 April	**16,472**	14,502
Additions	**–**	11,961
Transfer to properties held for sale	**–**	(9,519)
Annual charges of prepaid lease payments	**(401)**	(472)
Carrying amount at 31 March	**16,071**	16,472

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**116,995**	116,995

17. INVESTMENTS IN SUBSIDIARIES (Continued)

(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	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 ("CAM")	Hong Kong	HK$2 Ordinary shares	–	100%	Property and investment holding	Hong Kong
Cheong Ming Press Factory Limited ("CMP")	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. ("DGCM")	PRC**	Registered capital of HK$111,468,000 (2007: HK$79,930,000)	–	100%	Manufacture and sale of paper cartons and plastic bags	PRC
Capital Financial Press Limited	Hong Kong	HK$800,000 Ordinary shares	–	100%	Commercial printing	Hong Kong
Capital Translation Services Limited	Hong Kong	HK$500,000 Ordinary shares	–	100%	Provision of translation services	Hong Kong
Qualiti Printing And Sourcing Limited (formerly known as 32 Print.com Limited)	Hong Kong	HK$3,750,000 Ordinary shares	–	100%	Digital printing	Hong Kong

17. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company Direct	Indirect	Principal activities	Place of operations
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 (2007: RMB10,000,000)	–	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
上海晶明服裝輔料發展有限公司	PRC**	Registered capital of RMB2,000,000	–	100%	Manufacture and sale of garment supplementary materials	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 subsidiaries are registered as a wholly-foreign owned enterprise under PRC law.

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

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

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

(c) During the year, additional interests in 上海發絲達印刷有限公司 (for identification only, in English, Shanghai Fastabs Printing Company Limited ("Shanghai Fastabs")) was acquired and then the entire interests has been disposed of. Further details are in note 36(a).

18. PROPERTIES HELD FOR SALE

	Group	
	2008	2007
	HK$'000	HK$'000
Transfer from property, plant and equipment	**2,590**	8,941
Transfer from investment properties	**22,042**	–
Transfer from prepaid lease payments	**–**	9,519
	24,632	18,460

In March 2007, the Group entered into an agreement for the disposal of land and buildings with a carrying amount of HK$18,600,000 at 31 March 2007. The transaction was completed in May 2007 with total consideration settled and property titles changed. These land and buildings were stated at the lower of its carrying amount and fair value less costs to sell.

On 2 June 2008, the Group has entered into an agreement for disposal of certain land and buildings and investment properties with Mr. Lui Shing Ming, an executive director of the Company for an aggregate consideration of HK$24,720,000. Details of such are set out in note 40 to the financial statements.

At 31 March 2008, the land and buildings transferred from property, plant and equipment of HK$2,590,000 are stated at the lower of its carrying amount and fair value less costs to sell. The resulting revaluation surplus amounting to HK$493,000 was credited to the income statement.

In respect of the investment properties which have been transferred to properties held for sale, they were revalued, on the basis of Market Value, at HK$22,042,000 by LCH as at 31 March 2008. The valuation was arrived at using investment approach on the assumption that the Group sells the property on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value. The resulting revaluation surplus amounting to HK$2,992,000 was credited to the income statement.

At the balance sheet date, the Group's properties held for sale amounting to HK$12,814,000 (2007: HK$18,460,000) were pledged to secure the bank borrowing and general banking facilities granted to the Group as further detailed in notes 24 and 30 to the financial statements respectively.

19. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**46,796**	43,870
Work in progress	**8,088**	13,713
Finished goods	**10,531**	15,143
	65,415	72,726

20. TRADE RECEIVABLES AND AMOUNT DUE FROM A RELATED COMPANY

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**114,189**	141,010
Less: provision for impairment of receivables	**(4,956)**	(4,869)
Trade receivables – net	**109,233**	136,141
Amount due from a related company	**–**	2,190
	109,233	138,331

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

The amount due from a related company was trading in nature. At 31 March 2008, the aging analysis of the trade receivables including amount due from a related company, based on invoiced date, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current to 30 days	**74,569**	106,173
31 to 60 days	**8,047**	11,005
61 to 90 days	**6,280**	5,202
Over 90 days	**20,337**	15,951
	109,233	138,331

20. TRADE RECEIVABLES AND AMOUNT DUE FROM A RELATED COMPANY (Continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
Renminbi ("RMB")	**2,703**	7,498
US dollars ("US$")	**36,621**	46,391

The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Balance at 1 April	**4,869**	4,426
Provision for impairment loss charged to the income statement (included in administrative expenses)	**87**	443
Balance at 31 March	**4,956**	4,869

At each of the balance sheet date, the Group's trade receivables were individually determined for impairment purposes. The individually impaired receivables are recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

As at 31 March 2008, the Group's trade receivables of HK$4,956,000 (2007: HK$4,869,000) were fully made for provision for impairment. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered.

20. TRADE RECEIVABLES AND AMOUNT DUE FROM A RELATED COMPANY (Continued)

The aging analysis of trade receivables including amount due from a related company by past due date that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Not past due	**66,027**	85,903
Unimpaired but past due		
Not more than 30 days	**17,917**	25,354
31 – 60 days	**8,108**	8,106
61 – 90 days	**4,339**	3,856
Over 90 days	**12,842**	15,112
	109,233	138,331

Receivables that were past due but not impaired related to a number of customers that the Group had continuing business relationships with these customers including sales to and settlements from these customers in general, which in the opinion of the directors have no indication of default.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong unlisted linked notes	**26,926**	–
Hong Kong unlisted debt investments	**4,353**	–
Hong Kong listed equity investments	**2,841**	1,222
Hong Kong unlisted equity investments	**–**	5,481
Overseas listed equity investments	**2,944**	4,642
Overseas unlisted equity investments	**15,500**	31,224
Overseas unlisted debt investments	**3,664**	2,347
Overseas unlisted linked notes	**8,262**	2,458
Overseas unlisted currency notes	**29,485**	2,382
	93,975	49,756

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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 other operating expenses in the income statement.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash in hand, bank balances, and time deposits with original maturity of less than three months	**65,096**	61,027	**180**	40
Cash placed at securities brokerage firms	**51,070**	3,812	**–**	–
Time deposits with original maturity of more than three months	**–**	27,546	**–**	–
Cash and cash equivalents per consolidated balance sheet	**116,166**	92,385	**180**	40
Less: Time deposits with original maturity of more than three months	**–**	(27,546)	**–**	–
Bank overdrafts, secured	**(546)**	(10,213)	**–**	–
Cash and cash equivalents per consolidated cash flow statement	**115,620**	54,626	**180**	40

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 0.77% to 7% per annum. They have a maturity of 8 days to 3 months and are eligible for immediate cancellation without receiving any interest for the last deposit period.

22. CASH AND CASH EQUIVALENTS (Continued)

At the balance sheet date, cash and bank balances of the Group denominated in RMB amounted to HK$23,148,000 (2007: HK$10,026,000). 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

	Group	
	2008	2007
	HK$'000	HK$'000
Trade payables	**78,307**	96,702

At 31 March 2008, the aging analysis of the trade payables, based on invoiced date, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current to 30 days	**28,806**	51,264
31 to 60 days	**13,605**	17,310
61 to 90 days	**10,798**	11,506
Over 90 days	**25,098**	16,622
	78,307	96,702

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

	Group	
	2008	2007
	HK$'000	HK$'000
RMB	**8,324**	12,803

24. INTEREST-BEARING BORROWINGS

	Group	
	2008	2007
	HK$'000	HK$'000
Bank overdrafts, secured	**546**	10,213
Bank loans, secured	**40,978**	59,452
Trust receipt loans, secured	**–**	4,395
	41,524	74,060

	Group	
	2008	2007
	HK$'000	HK$'000
Bank loans repayable		
Within one year or on demand	**23,141**	31,408
In the second year	**4,224**	6,440
In the third to fifth years, inclusive	**6,731**	13,974
Over five years	**6,882**	7,629
Trust receipt loans and bank overdrafts repayable within one year or on demand	**546**	14,609
	41,524	74,060
Less: Current portion due within one year included under current liabilities	**(23,687)**	(46,017)
Non-current portion included under long-term liabilities	**17,837**	28,043

The interest-bearing borrowings were secured by the pledge of certain land and buildings under property, plant and equipment and properties held for sale with net book amount of approximately HK$33,731,000 and HK$12,814,000 respectively, as at 31 March 2008, the details are set out in notes 14 and 18 respectively, to the financial statements.

24. INTEREST-BEARING BORROWINGS (Continued)

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

	Loan amount HK$'000	Interest rate	Repayment terms
Loans denominated in HK$	27,500	HIBOR + 1% p.a.– HIBOR + 1.5% p.a.	Payable within 5 years
Loans denominated in RMB	13,478	7.047% p.a.	Payable over 5 years

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

25. SHARE CAPITAL

	2008 HK$'000	2007 HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
609,163,826 ordinary shares of HK$0.10 each	**60,916**	48,733

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 2006	48,671	486,706,061
Issue of shares	62	625,000
At 31 March 2007 and 1 April 2007	48,733	487,331,061
Issue of new shares arising from rights issue	12,183	121,832,765
At 31 March 2008	**60,916**	**609,163,826**

During the year, the Group successfully raised approximately HK$41.1 million (net of share issuance costs) by way of a rights issue of 121,832,765 shares in the ratio of one rights share for every four shares held on 20 June 2007, at the issue price of HK$0.35 per rights share.

26. SHARE OPTION SCHEMES

The Company 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 were 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. All the share options granted under the Old Scheme, which has expired in last year, were exercised/lapsed in prior years.

A summary of the New Scheme is set out below:

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 2008, 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 for the year ended 31 March 2007.

Name or category of participant	Number of share options: 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** HK$	Price of Company's shares***: At grant date of options HK$	At exercise date of options**** HK$
Other employees										
In aggregate	625,000	–	(625,000)*	–	–	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	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)**	**–**					

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 was 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 was 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 was 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 was the Stock Exchange's closing price of the Company as at the date of the exercise of the share options.

27. RESERVES

Group

	2008 HK$'000	2007 HK$'000
Share premium account	**95,795**	66,843
Contributed surplus	**34,080**	34,080
Asset revaluation reserve	**30,894**	22,079
Capital reserve	**9,900**	–
Exchange reserve	**(780)**	248
Retained profits	**218,720**	201,444
	388,609	324,694

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.

The capital reserve of the Group arose as a result of the capital injection into a subsidiary, DGCM, by CMP, its immediate holding company, on 1 August 2007 by way of reinvestment of DGCM's retained profits brought forward as approved by the PRC authorities.

27. RESERVES (Continued)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 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 and 1 April 2007	66,843	116,795	5,174	188,812
Profit for the year	–	–	21,562	21,562
2007 final dividends proposed	–	–	18,275	18,275
2007 final dividends paid	–	–	(18,275)	(18,275)
Interim dividend	–	–	(6,092)	(6,092)
Proposed final dividend	–	–	(12,183)	(12,183)
Issue of ordinary shares	30,458	–	–	30,458
Share issuance expenses	(1,706)	–	–	(1,706)
At 31 March 2008	**95,595**	**116,795**	**8,461**	**220,851**

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**	**Total**
	HK$'000	HK$'000	HK$'000
Balance at 1 April 2006	2,741	1,430	4,171
Charge to income for the year	61	–	61
Charge to equity for the year	–	367	367
Balance at 31 March 2007	2,802	1,797	4,599
Charge to income for the year (note 10)	337	–	337
Charge to equity for the year	–	3,126	3,126
Reversal of deferred tax upon disposal of land and buildings	–	(101)	(101)
Balance at 31 March 2008	**3,139**	**4,822**	**7,961**

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 2008					
Executive directors:					
Mr. Lui Chi	–	2,016	168	–	2,184
Mr. Lui Shing Ming, Brian	–	1,800	1,200	168	3,168
Mr. Lui Shing Cheong	–	1,162	650	136	1,948
Mr. Lui Shing Chung, Victor	–	1,440	600	172	2,212
Mr. Lung Wai Kee	–	512	80	30	622
Independent non-executive directors:					
Dr. Lam Chun Kong	120	–	–	–	120
Mr. Lo Wing Man	140	–	–	–	140
Dr. Ng Lai Man, Carmen	170	–	–	–	170
	430	6,930	2,698	506	10,564
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

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	
	2008 **Number of Directors**	2007 Number of Directors
Nil – HK$1,000,000	**4**	3
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$2,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**1**	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 2008, general banking facilities available to the Group amounted to HK$311,378,000 (2007: HK$250,952,000). The banking facilities utilised by the Group amounted to HK$44,850,000 (2007: HK$75,680,000) as at 31 March 2008.

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

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

31. FINANCIAL GUARANTEES

At 31 March 2008, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK$127,200,000 (2007: HK$150,252,000) (note 30).

32. CAPITAL COMMITMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Acquisition of property, plant and equipment		
– contracted for	**430**	1,130
Investment in a subsidiary in the PRC	**–**	3,803
	430	4,933

The Company did not have any significant capital commitments at the balance sheet date (2007: Nil).

33. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties (note 15) and properties held for sale (note 18) 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 2008, the Group had total future minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**2,207**	1,975
In the second to fifth years, inclusive	**560**	1,337
	2,767	3,312

The Company does not have any minimum lease receipts under non-cancellable operating leases at the balance sheet date (2007: 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 2008, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2008		2007	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
Within one year	**7,201**	**492**	5,351	355
In the second to fifth years, inclusive	**10,235**	**1,436**	6,770	681
After five years	**17,626**	**–**	9,494	–
	35,062	**1,928**	21,615	1,036

The Company did not have any significant operating lease commitments under non-cancellable operating leases at the balance sheet date (2007: Nil).

35. RELATED PARTY TRANSACTIONS

(a) Saved as disclosed elsewhere in the financial statements, the following transactions were carried out with a related party, which was a minority shareholder of a subsidiary disposed of during the year:

	2008 HK$'000	2007 HK$'000
Commission	**4,041**	5,891
Sales of goods	**3,597**	2,532

(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. ACQUISITION OF ADDITIONAL INTERESTS AND DISPOSAL OF THE ENTIRE INTERESTS IN A SUBSIDIARY

(a) Acquisition of additional interest in a subsidiary

(i) During the year, the Group accomplished the acquisition of 45% of equity interests in Shanghai Fastabs from Fastabs Limited, a limited company registered in the United Kingdom and was a minority shareholder of the Group, at an aggregate consideration of £480,000 (approximately HK$7,425,000) in cash. Shanghai Fastabs was an equity joint venture enterprise established in the PRC and was, immediately prior to the acquisition, 55% owned by one of the wholly-owned subsidiaries of the Company as at 31 March 2007. The transaction was completed in June 2007 and Shanghai Fastabs became a wholly owned subsidiary of the Group.

Further information about the additional acquisition is as follows:

	HK$'000
Net assets acquired	4,467
Goodwill arising from the acquisition of additional interest in a subsidiary	2,958
Purchases consideration satisfied by cash	7,425

(ii) Goodwill

	HK$'000
At 1 April 2007	–
Goodwill arising from the acquisition of additional interest in a subsidiary	2,958
Impairment of goodwill	(2,958)
At 31 March 2008	–

Goodwill on the acquisition was determined based on the expectation of future growth in earnings of the subsidiary acquired. However, due to certain changes in the business strategies of the Group during the year, the management considered the goodwill was unlikely to be recoverable and impairment loss was recognised in the income statement of the year.

36. ACQUISITION OF ADDITIONAL INTERESTS AND DISPOSAL OF THE ENTIRE INTERESTS IN A SUBSIDIARY (Continued)

(b) Disposal of the entire interests in a subsidiary

On 30 November 2007, the Group disposed of its entire equity interests in Shanghai Fastabs. Particulars of the disposal transaction are as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment (note 14)	6,191
Inventories	2,479
Trade receivables	7,428
Prepayments, deposits and other receivables	427
Cash and cash equivalents	3,667
Trade payables	(4,589)
Accrual liabilities and other payables	(712)
Intragroup balances	(10)
Tax payable	(6)
Total	14,875
Loss on disposal of a subsidiary	(875)
Total consideration	14,000
Satisfied by	
Cash	10,670
Other receivables	3,330
	14,000

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	10,670
Cash and cash equivalents disposed of	(3,667)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	7,003

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk, interest rate risk, other price risk), liquidity risk and credit risk, which result from both its operating and investing activities. 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 these financial risks. Generally, the Group employs a conservative strategy regarding its risk management. The Group holds certain derivative financial instruments which are included in financial assets at fair value through profit or loss.

37.1 Interest rate risks

The Group's interest rate risk arises only from interest-bearing borrowings (note 24) which are granted at variable rate and expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group currently does not have an interest rate hedging policy but the management regularly monitor the change of interest rate. In this regard, the Directors of the Company consider that the Group's interest rate risk is immaterial.

37.2 Credit risk

Generally, the maximum credit risk exposure of financial assets which are described in note 3.7 to the financial statement is the carrying amount of the financial assets as shown on the face of the balance sheet. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

Transactions in relation to derivative financial instruments are only carried out with financial institutions of high reputation.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.3 Foreign currency risk

The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in US$ and RMB. Other than certain trade receivables and payables, certain financial assets at fair value through profit or loss, bank deposits, interest-bearing borrowings of the Group are denominated mainly in RMB and US$. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$ and RMB, against the functional currency of the relevant Group entities. The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The overall net exposure in respect of the carrying amount of the Group's and the Company's foreign currency denominated financial assets and liabilities in net position as at 31 March 2008 and 2007 were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
RMB	**(1,471)**	(8,628)
US$	**95,388**	105,634

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currencies.

During the year, the Group has entered into a structured forward instrument in relation to US$ and RMB which is included in financial assets at fair value through profit or loss. As stipulated in the contract, the Group endured exchange loss when the exchange rate of RMB against US$ falls within certain range due to depreciation of RMB.

A 5% strengthening/weakening of HK$ against RMB as at the respective balance sheet dates would (decrease)/increase the profit after income tax (due to changes in the fair value of monetary assets and liabilities) by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.3 Foreign currency risk (Continued)

	Group	
	Increase/ (decrease)	**Increase/ (decrease) in net profit**
		HK$'000
As at 31 March 2008		
If HK$ strengthen against RMB	5%	(21,223)
If HK$ weaken against RMB	(5%)	5,204
As at 31 March 2007		
If HK$ strengthen against RMB	5%	(431)
If HK$ weaken against RMB	(5%)	431

The sensitivity analysis above has been determined assuming that the change in currency exchange rates had occurred at the beginning of the year and had been applied to the abovementioned financial instruments at that date and throughout the year constantly. The 5% increase or decrease represents management's assessment of a reasonably possible change in currency exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the year ended 31 March 2007.

37.4 Price risk

The Group is exposed to equity security price risk because of its investments in financial instrument which are held for trading and are classified as financial assets at fair value through profit or loss (see note 21).

The Group's investments in equity of other entities are Hong Kong and overseas listed and unlisted equity. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market Index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as natural resources and financial services. Temporarily, the Group management has monitored price risk and will consider hedging of the risk if necessary. In the coming future, the Group will appoint a special team to take up the position.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.4 Price risk (Continued)

The Group is also exposed to equity security price risk arising from its investment in derivative financial instruments. Details about the derivative financial instruments are set out in note 21. Management's best estimate of the effect on the Group's profit after tax as a result of a reasonably possible change in the market price of the equity securities and the underlying equity securities of the derivative financial instruments, with all other variables held constant, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2008	2007
	HK$'000	HK$'000
Increase/(Decrease) in profit after tax		
Market price of equity securities		
+ 10%	**11,912**	2,653
– 10%	**(8,093)**	(2,874)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.5 Liquidity risk

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Group							
	Repayable on demand	1-3 months	4-6 months	7-9 months	10-12 months	Over 1 year	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2008								
Trade payables	–	28,806	49,501	–	–	–	78,307	78,307
Other payables	6,809	–	–	–	–	–	6,809	6,809
Accrued liabilities	16,090	–	–	–	–	–	16,090	16,090
Interest-bearing borrowings	546	20,344	1,348	1,353	1,357	21,845	46,793	41,524
Total	23,445	49,150	50,849	1,353	1,357	21,845	147,999	142,730
At 31 March 2007								
Trade payables	–	51,264	45,438	–	–	–	96,702	96,702
Other payables	3,295	–	–	–	–	–	3,295	3,295
Accrued liabilities	13,791	–	–	–	–	–	13,791	13,791
Interest-bearing borrowings	10,213	31,335	1,944	1,948	1,951	32,524	79,915	74,060
Total	27,299	82,599	47,382	1,948	1,951	32,524	193,703	187,848

The Group enjoyed a healthy financial position as at 31 March 2008, with cash and cash equivalents amounting to HK$116 million, a significant increase from HK$92 million as at 31 March 2007.

The Group financed its operations and investment activities with internally generated cash flow, balanced with proceeds from the rights issue.

The Group's policy is to monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long term.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.6 Fair value

The fair value of the Group's current financial assets and liabilities, other than financial assets at fair value through profit or loss, are not materially different from their carrying amounts because of the immediate or short term maturity.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

37.7 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at balance sheet dates may be categorised as follows. See notes 3.7 and 3.12 for explanations about how the category of financial instruments affects their subsequent measurement.

	2008	2007
	HK$'000	HK$'000
Financial assets		
Loans and receivables:		
Trade receivables	**109,233**	136,141
Other receivables	**10,916**	5,081
Amount due from a related company	**–**	2,190
Cash and cash equivalents	**116,166**	92,385
Financial assets at fair value through profit or loss	**93,975**	49,756
	330,290	285,553
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**78,307**	96,702
Accrued liabilities	**16,090**	13,791
Other payables	**6,809**	3,295
Interest-bearing borrowings	**41,524**	74,060
	142,730	187,848

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to provide an adequate return to shareholders;
- to support the Group's sustainable growth; and
- to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The gearing ratio at the balance sheet date was as follows:

	31 March 2008 HK$'000	31 March 2007 HK$'000
Total borrowings	**41,524**	74,060
Total equity	**461,708**	396,169
Gearing ratio	**9%**	19%

39. COMPARATIVES

In last year, certain assets and liabilities were included in segment assets and segment liabilities respectively. In the current year, the directors consider that it is more appropriate to classify them as unallocated assets and unallocated liabilities respectively. Accordingly, comparative figures have been adjusted in order to conform to the current year's presentation.

40. POST BALANCE SHEET EVENTS

On 2 June 2008, CAM and CMP ("Vendors") entered into sale and purchase agreements ("Agreements") with Mr Lui Shing Ming Brian ("Purchaser"), an executive director of the Company, respectively. Pursuant to the Agreements, Vendors should sell and the Purchaser or companies nominated by him shall acquire from Vendors the certain properties located in Mai Sik Industrial Building, Nos 1/11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong at an aggregated consideration of HK$24,740,000. Save for the professional fees and expenses incurred, the completion of agreements will not give rise to material gain or loss of disposal. The aforesaid disposal was approved by independent shareholders at special general meeting on 9 July 2008 and the completion of agreements will be on or before 31 July 2008.

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