# CHUNG TAI PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) (Stock code: 00055)

Annual Report
2008

# Contents

# Corporate Information

## DIRECTORS

**Executive directors:**

Mr. Suek Ka Lun, Ernie *(Chief Executive Officer)*
Ms. Ng Wai Chi
Mr. Suek Chai Hong
Mr. Lau Chin Hung

**Non-executive directors:**

Dr. Suek Chai Kit, Christopher *(Chairman)*
Mr. Suek Che Hin
Dr. Ng Wai Kwan
Mr. Chan Kwing Choi, Warren

**Independent Non-executive directors:**

Mr. Wong Sun Fat
Mr. Tse Tin Tai
Mr. Au Yan, Alfred

**Alternate directors:**

Dr. Ng Wai Yung, Angela
*(Alternate Director to Mr. Suek Che Hin)*
Mr. Lau Kam Cheong
*(Alternate Director to Dr. Ng Wai Kwan)*

## QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Tang Kam Shing, Roland

## REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Chung Tai Printing Group Building
11 Yip Cheong Street
On Lok Tsuen, Fanling
New Territories
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of Tokyo-Mitsubishi UFJ Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank (Asia) Corporation Limited

## AUDITOR

Deloitte Touche Tohmatsu

## HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

# Chairman's Statement

## RESULTS

I am pleased to report Chung Tai Printing Holdings Limited's annual results for the year ended 31 March, 2008.

The audited consolidated profit for the year of the Company and its subsidiaries ("the Group") was HK$39,019,742. Basic earnings per share based on the weighted average number of 8,192,408,988 shares in issue amounted to HK0.48 cents. Diluted earnings per share based on 9,146,310,120 shares, which is the weighted average number of shares during the year adjusted for the number of dilutive potential shares, amounted to HK0.47 cents.

## DIVIDENDS

The Directors are pleased to recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK0.091 cents per share for the year ended 31 March, 2008 to the members whose names appear on the Register of Members on 22 August, 2008. Together with the interim dividend of HK0.091 cents per share paid in January 2008, total dividends per share for the year amounted to HK0.182 cents (2007: HK5.6 cents).

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the dividend will be paid on 25 August, 2008.

## REVIEW OF FINANCIAL RESULTS

The Group's consolidated revenue for the year under review amounted to HK$729 million (2007: HK$678 million), representing a moderate sales growth of 7.5% as compared to last year. The gross profit for the year achieved HK$125 million, being 17.1% of revenue. The gross profit percentage has reduced by 2.9% from the last year's 20%. The net profit has increased by 13.1% from HK$34 million to HK$39 million. The net profit margin accounted for 5.4% of the revenue, a bit improved from last year which was 5.1% of the revenue.

# Chairman's Statement *(Continued)*

## BUSINESS REVIEW AND PROSPECTS

With keen competition in the industry, this year was indeed full of challenges to the Group. The bargaining power of customers was increasing and the customers were demanding for lower prices with more value-added services from the Group. On the other hand, the rise in raw material costs, high cruel oil prices, the tightening of PRC labour regulations, the increase in minimum wages rate in the Guangdong Province and the significant appreciation of Renminbi, all put extra burden on material costs and manufacturing expenses of the Group. Notwithstanding the efforts made by the Group to improve production and operation efficiencies, gross profit margin for the year declined.

During the year under review, distribution costs rose by 15% to HK$32.5 million (2007: HK$28.3 million). Such increase was mainly due to high fuel costs and growth in sales. The administrative expenses amounted to HK$70.7 million (2007: HK$71 million), maintained steadily with that in the last year under the cautious measures on cost control implemented in the year. The significant increase in finance costs to HK$4.1 million (2007: HK$0.5 million) during the year was attributed to the effective interest expenses payable on convertible notes issued in November 2007.

To improve production and operation efficiencies, the Group had made capital expenditures totalling HK$19 million (2007: HK$48 million), principally composed of plant and machinery and computer equipments.

It is foreseeable that the keen competition in the industry, the unfavourable economic environment and government policies on manufacturers operating in South China region will continue. The Group will take further measures, including retraining of workers, reorganisation of workflows and automation of selected hand assembly processes, to improve its production and operation efficiencies aiming at maximizing profitability and shareholders' return.

The continuous fine-tuning and development of the ERP system according to the changing operating needs help to promote operation efficiencies by the real-time management and Just-In-Time production management. This definitely alleviates pressure on the Group's production costs.

We consider our staff our most valuable assets and, in this regard, we have placed great emphasis on staff training and development, aiming at upgrading management excellence and offering more value-added services to our customers. Moreover, the set-up of Action Learning Groups and the Diploma in Management Studies Program are designed for the tactical and strategic management. On-the-job trainings and comprehensive courses are provided to front line staff, that enrich their knowledge and skill to perform assigned job duties.

The development of new plant in Qingyuan of Guangdong Province has started off. This huge investment not only signifies a new phase of the Group's development, but also improves its production capabilities. Coupled with the low-cost benefits in Qingyuan, economies of scale, resources and technology sharing amongst our factories in Shenzhen, it is believed that the Group is capable of capturing any emerging opportunities and generating impressive returns when the new plant operates.

# Chairman's Statement *(Continued)*

## BUSINESS REVIEW AND PROSPECTS *(Continued)*

The Group continues to develop and implement sound business strategies. All these are the key propellants of the Group's businesses. The Group's commitments to devoting efforts in exploring new market, maintaining close partnership with our existing customers, and sourcing new material to produce quality goods at competitive prices are essential to get those strategies successfully implemented.

Moreover, with its strong financial resources and liquidity, the Group will continue to explore good investment opportunities to enhance shareholders' returns.

## FUND RAISING

With a view to enlarging the Company's shareholder base and strengthening the financial position of the Company, the following capital raising exercises were undertaken during the year:

a. In August 2007, net proceeds of approximately HK$57.8 million were raised through a top-up placing of 66.4 million new shares at HK$0.9 per share; and

b. Issue of convertible notes in an aggregate principal amount of HK$140 million through a placing agent to several independent third parties in November 2007; and

c. In late November 2007, the Company issued a total of 2,220 million new shares of HK$0.005 each at the issue price of HK$0.045 per share for cash.

## LIQUIDITY AND FINANCIAL POSITION

As at 31 March, 2008, the Group had approximately HK$34 million cash on hand. The current ratio stood at 7.6, reflecting ample cash flow and maintaining a stable liquidity position over the year. The Group's bank balances and cash and short-term bank deposits were approaching HK$408 million (31 March, 2007: HK$110 million), after deducting bank borrowings of HK$6 million (31 March, 2007: HK$4 million). The gearing ratio was 16.6% (31 March, 2007: 0.7%), which is calculated based on the Group's total borrowings of HK$129 million (31 March, 2007: HK$4 million) and the shareholders' fund of HK$779 million (31 March, 2007: HK$571 million).

At 31 March, 2008, the Group had working capital surplus of HK$647 million (31 March, 2007: HK$303 million), which comprised primarily inventories of HK$112 million, trade and other receivables of HK$220 million, bank balances, cash and short-term deposit of HK$414 million, less trade and other payables of HK$91 million, tax liabilities of HK$0.9 million and bank borrowings of HK$6 million.

The Group's transactions are mainly denominated in Hong Kong dollars, Renminbi and United States dollars and the foreign currency risk exposure is not significant during the year under review. During the year, the Group did not use any financial instruments for hedging purpose and did not have any hedging instruments outstanding as at 31 March, 2008.

# Chairman's Statement *(Continued)*

## LIQUIDITY AND FINANCIAL POSITION *(Continued)*

The Group generally finances its operation with internally generated cash flows and facilities provided by banks in Hong Kong. The high level of operating cash position continued to be maintained, thus reflecting the strength of its operating performance. Considering the anticipated internally generated funds and available banking facilities, the management believes that the Group has adequate resources to meet its future capital expenditures and working capital requirements. The management will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the upcoming large project in Qingyuan, the Group will take consideration on the fund planning to adequately finance such material investment.

The Group's dividend payout ratio as a percentage of its earning is about 48%. The Board will closely monitor the dividend policy to ensure that our investors are well rewarded for their continuous support.

## EMPLOYEES

As at 31 March, 2008, the total number of employees of the Group was approximately 5,000.

The remuneration schemes are generally structured with reference to market conditions and the qualifications of the employees. The reward packages of the Group's staff are normally reviewed on an annual basis based on the Group and staff performances. Aside from salary payment, other staff benefits include contribution to Retirement Benefit Scheme and medical insurance provided to eligible employees. Staff training is also provided as and when required.

## ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all our shareholders, customers, suppliers, bankers, business partners for their continuous support during the year. I would also like to express my sincerely gratitude to the management and staff for their commitment and contributions to the Group. Their dedicated attitude will contribute to our greatest reward in the coming difficult environment and facilitate our prosperous development in future.

On behalf of the Board,
**DR. SUEK CHAI KIT, CHRISTOPHER**
*Chairman*

Hong Kong, 14 July, 2008

# Biographical Details of Directors and Senior Executives

## EXECUTIVE DIRECTORS

**Mr. SUEK Ka Lun, Ernie**, aged 30, was appointed as an executive director of the Company in July 2004 and became the Chief Executive Officer of the Company during the year. He is also a director of Chung Tai Printing (China) Company Limited. Mr. Suek obtained a master degree in Marketing from the Chinese University of Hong Kong in 2003. He has 2 years of experience in investment banking and subsequently moved on to commercial sector and has been a director of a private company for two years. He is responsible for monitoring the Group's business and implementing the Group's strategic plan and business goals.

Mr. Suek is the son of Dr. Suek Chai Kit, Christopher, the Chairman and non-executive director of the Company, and Dr. Ng Wai Yung, Angela, alternate director to Mr. Suek Che Hin, non-executive director of the Company. He is the grandson of Mr. Suek Che Hin, non-executive director of the Company. Mr. Suek is the nephew of Mr. Suek Chai Hong and Ms. Ng Wai Chi, both are executive directors of the Company. He is also the nephew of Dr. Ng Wai Kwan, non-executive director of the Company.

**Ms. NG Wai Chi**, aged 48, joined the Group in 1979. She was appointed as the Company's executive director in 1992 and has 30 years of experience in label and silkscreen printing. She is responsible for the procurement of the Group. She is also a director of Chung Tai Printing (B.V.I.) Limited, Chung Tai Printing (China) Company Limited, Chung Tai Printing Limited and Delight Source Limited.

Ms. Ng is the sister of Dr. Ng Wai Kwan, non-executive director of the Company, and Dr. Ng Wai Yung, Angela, alternate director to Mr. Suek Che Hin, non-executive director of the Company; sister-in-law of Dr. Suek Chai Kit, Christopher, the Chairman and non-executive director of the Company; and auntie of Mr. Suek Ka Lun, Ernie, executive director of the Company.

**Mr. SUEK Chai Hong**, aged 47, obtained a bachelor degree of Business Administration in Finance from York University, Canada and was appointed as the Company's executive director in 1992. Mr. Suek has over 21 years of experience in marketing and is responsible for overseeing offset business of the Group. He is also a director of Chung Tai Printing (China) Limited, Delight Source Limited and The Greatime Offset Printing Company Limited.

Mr. Suek is the brother of Dr. Suek Chai Kit, Christopher, the Chairman and non-executive director of the Company; and brother-in-law of Dr. Ng Wai Yung, Angela, alternate director to Mr. Suek Che Hin, non-executive director of the Company. He is also the son of Mr. Suek Che Hin, non-executive director of the Company; and uncle of Mr. Suek Ka Lun, Ernie, executive director of the Company.

**Mr. LAU Chin Hung**, aged 54, was appointed as the Company's executive director on 15 March, 2007. He was awarded a Higher Diploma (with Distinction) in Design by the Hong Kong Polytechnic (presently the Hong Kong Polytechnic University) in 1976. He is responsible for the overall planning and operations of the Company and the Group. Mr. Lau had been a section head in the design department of a listed electronics company in Hong Kong for 12 years. Before he joined the Company and its group, Mr. Lau was an assistant to the Managing Director of one of the leading printing public listed companies in Hong Kong during 2004-2006.

# Biographical Details of Directors and Senior Executives *(Continued)*

## NON-EXECUTIVE DIRECTORS

**Dr. SUEK Chai Kit, Christopher**, aged 56, was appointed as an executive director of the Company since its incorporation and was re-designated as a non-executive director of the Company on 29 November, 2007. He is the Chairman and founder of the Group. He is also a director of Chung Tai Printing (B.V.I.) Limited, CNA Company Limited and Profit Link Investment Limited. Dr. Suek has obtained a doctor of Business Administration degree from University of South Australia and a master degree in Business Administration from Deakin University, Australia. Dr. Suek has 30 years of experience in the printing industry.

Dr. Suek is the husband of Dr. Ng Wai Yung, Angela, alternate director to Mr. Suek Che Hin, non-executive director of the Company, and brother-in-law of Ms. Ng Wai Chi, executive director of the Company, and Dr. Ng Wai Kwan, non-executive director of the Company. He is also the son of Mr. Suek Che Hin, non-executive director of the Company; the father of Mr. Suek Ka Lun, Ernie, executive director of the Company; and the elder brother of Mr. Suek Chai Hong, executive director of the Company.

**Dr. NG Wai Kwan**, aged 58, was appointed as the Company's non-executive director on 15 March, 2007. Dr. Ng holds an engineering doctorate degree from the University of Warwick in U.K. Dr. Ng has over 20 years' experience in procurement, logistic planning and leadership development.

Dr. Ng is the elder brother of Ms. Ng Wai Chi, executive director of the Company, and Dr. Ng Wai Yung, Angela, alternate director to Mr. Suek Che Hin, non-executive director of the Company; and brother-in-law of Dr. Suek Chai Kit, Christopher, non-executive director and Chairman of the Company. He is also the uncle of Mr. Suek Ka Lun, Ernie, executive director of the Company.

**Mr. SUEK Che Hin**, aged 86, was appointed as a non-executive director in 1994. Mr. Suek is a member of both the audit and remuneration committees of the Company. He has over 50 years' experience in printing industry.

Mr. Suek is the father of Dr. Suek Chai Kit, Christopher, non-executive director and Chairman of the Company, and Mr. Suek Chai Hong, executive director of the Company. He is also the grandfather of Mr. Suek Ka Lun, Ernie, executive director of the Company; and father-in-law of Dr. Ng Wai Yung, Angela, his alternate.

**Mr. CHAN Kwing Choi Warren**, aged 56, was appointed as an independent non-executive director in 2002 and re-designated as a non-executive director of the Company on 29 November, 2007. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and has over 26 years of experience in finance and management in several multinational corporations.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. WONG Sun Fat**, aged 52, was appointed as an independent non-executive director of the Company in 1994. He is a member of the remuneration committee and the Chairman of the audit committee of the Company. Mr. Wong holds a bachelor of Arts degree from the University of Hong Kong and has over 18 years' experience in telecommunication products.

**Mr. TSE Tin Tai**, aged 43, was appointed as an independent non-executive director of the Company in 2006. He holds a bachelor of Business Administration degree from York University, Canada and has over 20 years' experience in sales and marketing field in information technology related companies.

# Biographical Details of Directors and Senior Executives *(Continued)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

**Mr. AU Yan, Alfred**, aged 57, was appointed as an independent non-executive director of the Company and a member of the audit committee and the Chairman of the remuneration committee of the Company in November 2007. He is a fellow member of the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Secretaries and the Institute of Chartered Accountants in England and Wales. He has been awarded HKICPA Webtrust Accreditation in 2000. Mr. Au has more than 36 years of experience in accounting and held senior accounting positions in a number of large companies in Hong Kong. Mr. Au is currently the principal of Alfred Au Yan & Co., a Certified Public Accountants firm in Hong Kong.

## ALTERNATE DIRECTORS

**Dr. NG Wai Yung, Angela**, aged 56, was appointed as alternate director to Mr. Suek Che Hin, non-executive director of the Company, on 9 July, 2008. She is a director of Chung Tai Printing Company Limited and Chung Tai Printing (China) Company Limited and also a senior executive of the Company. Dr. Ng joined the Group in 1994 and has over 30 years' experience in label and screen process printing business. She holds a master degree in Business Administration from Macquarie University, Australia and a Honorary doctor of philosophy degree in Business Management from Burkes University, the British West Indies, United Kingdom.

Dr. Ng is the spouse of Dr. Suek Chai Kit, Christopher, non-executive director and Chairman of the Company; mother of Mr. Suek Ka Lun, Ernie, executive director of the Company; sister of Ms. Ng Wai Chi, executive director of the Company, and Dr. Ng Wai Kwan, non-executive director of the Company; daughter-in-law of Mr. Suek Che Hin, non-executive director of the Company; and sister-in-law of Mr. Suek Chai Hong, executive director of the Company.

**Mr. LAU Kam Cheong**, aged 45, was appointed as alternate director to Dr. Ng Wai Kwan, non-executive director of the Company, on 9 July, 2008. He is a manager of Delight Source Limited and the human resources manager of Chung Tai Printing (China) Company Limited. Mr Lau joined the Group in 2001. He holds a master degree in Business Administration and a master degree in Professional Accounting from the Open University of Hong Kong. He is a member of the Chartered Institute of Marketing in United Kingdom and has over 15 years of experience in management, sales and marketing.

## SENIOR EXECUTIVES

**Ms. LAW Suk Ting, Amen** is the customer service manager of the Group's label and screen process business. She has over 20 years' experience in label and screen process printing and joined the Group in 1985. She has obtained a diploma of management studies from Hong Kong Management Association in 2000.

**Mr. TANG Kam Shing, Roland** is the qualified accountant and company secretary of the Company and joined the Group in January, 2008. He graduated with a bachelor (honour) degree in Accountancy and a master degree in Corporate Governance from the Hong Kong Polytechnic University. Mr. Tang is an associate member of The Hong Kong Institute of Certified Public Accountants and fellow member of The Association of International Accountants. He is also an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Tang has over 15 years of experience in finance, accounting, auditing and taxation. Prior to joining the Group, Mr. Tang had been the senior finance executive of several listed group of companies and multinational companies in Hong Kong.

**Ms. WONG Wai Man, Kriste** is the customer service manager of the Group's offset printing business. She has over 18 years' experience in offset printing and joined the Group in 1989.

# Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March, 2008.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and details of the subsidiaries are set out in note 31 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March, 2008 are set out in the consolidated income statement on page 25.

An interim dividend of HK0.091 cents per share amounting to HK$9,303,764 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK0.091 cents per share to the shareholders whose names appear on the register of members on 22 August, 2008 amounting to HK$9,276,126, and the retention of the remaining profit for the year of HK$20,439,852.

## PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment during the year at an aggregate cost of approximately HK$19 million in order to increase its production capacity. Details of this and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

## SHARE CAPITAL

The share capital of the Company is set out in note 24 to the consolidated financial statements.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## DISTRIBUTABLE RESERVES

As at 31 March, 2008, the reserves of the Company available for distribution to shareholders were approximately HK$385,907,000, being the contributed surplus of approximately HK$19,782,000 and the retained profits of approximately HK$366,125,000.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 68.

# Directors' Report *(Continued)*

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

| | |
|---|---|
| Mr. Suek Ka Lun, Ernie | *(Chief Executive Officer)* |
| Ms. Ng Wai Chi | |
| Mr. Suek Chai Hong | |
| Mr. Lau Chin Hung | |

### Non-executive directors:

| | |
|---|---|
| Dr. Suek Chai Kit, Christopher | *(Chairman, redesignated from executive director on 29 November, 2007)* |
| Mr. Suek Che Hin | *(Dr. Ng Wai Yung, Angela was appointed as his alternate effective on 9 July, 2008)* |
| Dr. Ng Wai Kwan | *(Mr. Lau Kam Cheong was appointed as his alternate effective on 9 July, 2008)* |
| Mr. Chan Kwing Choi, Warren | *(redesignated from independent non-executive director on 29 November, 2007)* |

### Independent non-executive directors:

| | |
|---|---|
| Mr. Wong Sun Fat | |
| Mr. Tse Tin Tai | |
| Mr. Au Yan, Alfred | (appointed on 29 November, 2007) |

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Au Yan, Alfred retires and, being eligible, offers himself for re-election.

In accordance with Bye-law 87(1) of the Company's Bye-laws, Mr. Suek Che Hin, Mr. Chan Kwing Choi, Warren, Mr. Wong Sun Fat and Mr. Tse Tin Tai retire and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

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

# Directors' Report *(Continued)*

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March, 2008, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (i) Long positions of ordinary shares of HK$0.005 each of the Company

| Name of director | Capacity | Number of shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Dr. Suek Chai Kit, Christopher | Beneficial owner | 274,000,000 | |
| | Other interests *(note 1)* | 3,713,200,000 | |
| | | 3,987,200,000 | 39.11% |
| Ms. Ng Wai Chi | Beneficial owner | 203,400,000 | 2.00% |
| Dr. Ng Wai Kwan | Beneficial owner | 800,000 | 0.01% |
| Mr. Suek Che Hin | Held by controlled corporation *(note 2)* | 382,400,000 | 3.75% |
| | | 4,573,800,000 | 44.87% |
| Mr. Suek Ka Lun, Ernie | Other interests *(note 1)* | 3,713,200,000 | 36.43% |

*Notes:*

1. These shares are beneficially owned by CNA Company Limited ("CNA") which in turn is beneficially owned by the CNA Trust, a discretionary trust whose objects include the children of Dr. Suek Chai Kit, Christopher. Mr. Suek Ka Lun, Ernie is the son of Dr. Suek Chai Kit, Christopher.

2. These shares are beneficially owned by Goodhope Assets Limited, in which Mr. Suek Che Hin has a beneficial interest.

# Directors' Report *(Continued)*

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

*(Continued)*

**(ii) Long positions of shares in subsidiaries**

At 31 March, 2008, CNA and Ms. Ng Wai Chi beneficially owned deferred non-voting shares in the following subsidiaries of the Company:

| Name of subsidiary | Name of owner | Number and par value of deferred non-voting shares |
|---|---|---|
| Chung Tai Management Limited | CNA | 2 shares of HK$1 each |
| Chung Tai Printing (China) Company Limited | CNA | 100 shares of HK$100 each |
| Chung Tai Printing Company Limited | CNA | 3,000 shares of HK$100 each |
| Profit Link Investment Limited | CNA | 2 shares of HK$1 each |
| The Greatime Offset Printing Company Limited | Ng Wai Chi<br>CNA | 500 shares of HK$100 each<br>9,500 shares of HK$100 each |

The rights and restrictions of such deferred non-voting shares are set out in note 31 to the consolidated financial statements.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 31 March, 2008.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 29 to the consolidated financial statements, no contracts of significance to which the Company, any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

# Directors' Report *(Continued)*

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CONNECTED TRANSACTION

There were no transactions which needed to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## SUBSTANTIAL SHAREHOLDERS

At 31 March, 2008, the interests or short positions of the substantial shareholders (other than the interests disclosed above in respect of certain directors who are also substantial shareholders of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance were as follows:

| Name of shareholder | Capacity | Number of shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Hill David Henry Christopher | Held by controlled corporations | 4,095,600,000 | 40.18% |
| Ms. Hill Rebecca Ann | Held by controlled corporations | 4,095,600,000 | 40.18% |
| Mr. Roberts David William | Held by controlled corporations | 4,095,600,000 | 40.18% |
| Newcorp Holdings Ltd. | Held by controlled corporations | 4,095,600,000 | 40.18% |
| Newcorp Ltd. | Held by controlled corporations | 4,095,600,000 | 40.18% |
| Trustcorp Limited | Trustee | 4,095,600,000 | 40.18% |
| CNA Company Limited | Beneficial owner | 3,713,200,000 | 36.43% |

# Directors' Report *(Continued)*

## EMOLUMENT POLICY

The emolument policy of the general staff of the Group is determined by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## CORPORATE GOVERNANCE

Throughout the year ended 31 March, 2008, the Company has complied with most of the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save for certain deviations which are explained in the relevant paragraphs in the Corporate Governance Report on pages 16 to 23.

## 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.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March, 2008.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest supplier accounted for 20% of total purchases while the Group's five largest suppliers accounted for 37% of total purchases during the year.

Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have a beneficial interest in any of the Group's five largest suppliers during the year.

## AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**DR. SUEK CHAI KIT, CHRISTOPHER**
*Chairman*

Hong Kong, 14 July, 2008

# Corporate Governance Report

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March, 2008.

The Board of the Company recognises that good corporate governance practices are vital to maintain and promote shareholder value and investor confidence and has adopted various measures to ensure a high standard of corporate governance is maintained and has put in place corporate governance practices to meet the code provisions as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") that are considered to be relevant to the Group and appropriate to the conduct and growth of its business.

Throughout the year under review, the Company has complied with most of the code provisions set out in the CG Code, save for certain deviations from the code provisions which are explained in the relevant paragraphs in this Report.

## THE BOARD

### Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors take decisions objectively in the interests of the Company in the attainment of the objective of creating value to shareholders. Every director carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

### Board Composition

The Board currently comprises eleven members, consisting of four executive directors, four non-executive directors and three independent non-executive directors and has in its composition a balance of expertise, skills and experience necessary for independent decision-making.

The Board comprises the following directors as at the date of this report:

*Executive Directors:*
Mr. Seuk Ka Lun, Ernie *(Chief Executive Officer)*
Ms. Ng Wai Chi
Mr. Seuk Chai Hong
Mr. Lau Chin Hung

*Non-executive Directors:*
Dr. Suek Chai Kit, Christopher *(Chairman)*
– redesignated from Executive Director on 29 November, 2007
Mr. Suek Che Hin *(member of Audit Committee and Remuneration Committee, Dr. Ng Wai Yung Angela was appointed his alternate effective on 9 July, 2008)*
Dr. Ng Wai Kwan *(Mr. Lau Kam Cheong was appointed his alternate effective on 9 July, 2008)*
Mr. Chan Kwing Choi, Warren
– redesignated from Independent Non-Executive Director on 29 November, 2007

# Corporate Governance Report *(Continued)*

## THE BOARD *(Continued)*

### Board Composition *(Continued)*

*Independent Non-executive Directors:*
Mr. Wong Sun Fat *(Chairman of Audit Committee and member of Remuneration Committee)*
Mr. Tse Tin Tai
Mr. Au Yan, Alfred *(Chairman of Remuneration Committee and member of Audit Committee)*
– appointed on 29 November, 2007

The list of directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Executives" on pages 7 to 9.

During the year ended 31 March, 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The non-executive directors bring a wide range of business and financial expertise and experiences to the Board. Through participation in Board meetings and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.

### Chairman and Chief Executive Officer

To improve its corporate governance, the Company has separated the roles and duties of the Chairman and the Chief Executive Officer into different individuals.

The Chairman of the Board is Dr. Suek Chai Kit, Christopher, who provides leadership for the Board and is also responsible for chairing the meetings and managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is Mr. Seuk Ka Lun, Ernie, who is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

### Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Although the directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-laws.

# Corporate Governance Report *(Continued)*

## THE BOARD *(Continued)*

### Appointment and Re-election of Directors *(Continued)*

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Company has not set up a Nomination Committee. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Mr. Au Yan, Alfred having been appointed Independent Non-Executive Director of the Company during the year, shall retire and being eligible, offer himself for re-election at the forthcoming 2008 annual general meeting ("2008 AGM") pursuant to the Company's Bye-laws.

In addition, Messrs. Suek Che Hin, Chan Kwing Choi, Warren, Wong Sun Fat and Tse Tin Tai shall retire by rotation and being eligible, offer themselves for re-election at the 2008 AGM.

The Board recommended the re-appointment of the directors standing for re-election at the 2008 AGM of the Company.

The Company's circular dated 25 July, 2008 contains detailed information of the directors standing for re-election.

### Induction and Continuing Development for Directors

Each newly appointed director is briefed on the business and operations of the Company and the directors are encouraged to attend external seminars and training programmes at the Company's expense to update themselves with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

### Board and Board Committee Meetings

*Board Practices and Conduct of Meetings*

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

# Corporate Governance Report *(Continued)*

## THE BOARD *(Continued)*

### Board and Board Committee Meetings *(Continued)*

*Board Practices and Conduct of Meetings (Continued)*

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

The Company's Bye-laws contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

*Directors' Attendance Records*

During the year ended 31 March, 2008, the Board met eight times, two of which were regular board meetings for reviewing and approving the financial and operating performance of the Group.

The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31 March, 2008 is set out below:

| | Attendance/Number of Meetings held during the tenure of directorship | |
|---|---|---|
| **Name of Directors** | **Board** | **Audit Committee** |
| **Executive Directors** | | |
| – Mr. Suek Ka Lun, Ernie | 5/8 | N/A |
| – Ms. Ng Wai Chi | 6/8 | N/A |
| – Mr. Suek Chai Hong | 5/8 | N/A |
| – Mr. Lau Chin Hung | 5/8 | N/A |
| **Non-executive Directors** | | |
| – Dr. Suek Chai Kit, Christopher *(Chairman)** | 6/8 | N/A |
| – Mr. Suek Che Hin *(member of Audit Committee and Remuneration Committee)* | 2/8 | 1/2 |
| – Dr. Ng Wai Kwan | 2/8 | N/A |
| – Mr. Chan Kwing Choi, Warren** | 6/8 | 1/1 |
| **Independent Non-executive Directors** | | |
| – Mr. Wong Sun Fat *(Chairman of Audit Committee and member of Remuneration Committee)* | 3/8 | 2/2 |
| – Mr. Tse Tin Tai | –/8 | N/A |
| – Mr. Au Yan, Alfred *(Chairman of Remuneration Committee and member of Audit Committee)* *** | 1/2 | 1/1 |

* *redesignated from Executive Director on 29 November, 2007*

** *redesignated from Independent Non-executive Director on 29 November, 2007*

*** *appointed on 29 November, 2007*

As there was no major change in the remuneration policy, no remuneration committee meeting was held during the year ended 31 March, 2008.

# Corporate Governance Report *(Continued)*

## THE BOARD *(Continued)*

### Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March, 2008.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## DELEGATION

The Company has not formalized and adopted written terms on the division of functions reserved to the Board and delegated to the management. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives and overall strategies, internal controls and risk management systems, material transactions (in particular those may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge their responsibilities.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

### Remuneration Committee

The Remuneration Committee comprises three members, namely Messrs. Au Yan, Alfred, Wong Sun Fat and Suek Che Hin, the majority of them are independent non-executive directors.

# Corporate Governance Report *(Continued)*

## DELEGATION *(Continued)*

### Remuneration Committee *(Continued)*

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer about their proposals relating to the remuneration of the executive directors and have access to professional advice at the Company's expense, if necessary.

## ACCOUNTABILITY AND AUDIT

### Directors' Responsibilities in respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March, 2008.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

### Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets. The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 March, 2008. Such review covered the financial, operational, compliance and risk management aspects of the Group.

The internal control system of the Group aims to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

### Audit Committee

The Audit Committee comprises three non-executive directors, Messrs. Au Yan, Alfred, Wong Sun Fat and Suek Che Hin, the majority of them are independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

# Corporate Governance Report *(Continued)*

## ACCOUNTABILITY AND AUDIT *(Continued)*

### Audit Committee *(Continued)*

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant and external auditor before submission to the Board.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

The Audit Committee reviewed the internal control of the Group and reported to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Audit Committee met twice and reviewed the Group's annual results and annual report for the year ended 31 March, 2007 and interim results for the six months ended 30 September, 2007, the financial reporting and compliance procedures, the internal control and risk management system as well as the re-appointment of the external auditor.

The Company's annual results for the year ended 31 March, 2008 has been reviewed by the Audit Committee.

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of external auditors.

### External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 24.

During the year ended 31 March, 2008, the remuneration paid to the external auditor of the Company in respect of audit services and non-audit services amounted to HK$1,270,000 and HK$180,000 respectively.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The Company continues to enhance communications and relationships with its investors. Investors may write directly to the Company at the principal place of business in Hong Kong for any inquiries. Enquiries from investors are dealt with in an informative and timely manner.

# Corporate Governance Report *(Continued)*

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

*(Continued)*

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees, normally attend the annual general meeting and other relevant shareholders' meetings to answer questions at the shareholders' meetings.

## SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings at which voting is taken on a poll are contained in the Company's Bye-laws. Details of such rights to demand a poll were included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholders' meeting.

# Independent Auditor's Report

**Deloitte.**
德勤

**TO THE SHAREHOLDERS OF CHUNG TAI PRINTING HOLDINGS LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Chung Tai Printing Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 67, which comprise the consolidated balance sheet 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 consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated 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 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.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*

Hong Kong, 14 July, 2008

# Consolidated Income Statement

*For the year ended 31 March, 2008*

| | *Notes* | **2008 HK$** | 2007 HK$ |
|---|---|---|---|
| Revenue | *6* | **728,563,145** | 678,028,525 |
| Cost of sales | | **(603,784,375)** | (542,396,080) |
| Gross profit | | **124,778,770** | 135,632,445 |
| Interest income | | **9,592,481** | 1,803,123 |
| Other income | | **14,079,588** | 3,081,079 |
| Distribution costs | | **(32,492,534)** | (28,263,793) |
| Administrative expenses | | **(70,681,674)** | (70,990,305) |
| Finance costs | *7* | **(4,092,606)** | (501,349) |
| Profit before taxation | | **41,184,025** | 40,761,200 |
| Taxation | *10* | **(2,164,283)** | (6,268,198) |
| Profit for the year | *11* | **39,019,742** | 34,493,002 |
| Dividends recognised as distributions during the year | *12* | **18,607,528** | 29,240,401 |
| Earnings per share | | | |
| Basic | *13* | **0.48 cents** | 0.52 cents |
| Diluted | *13* | **0.47 cents** | N/A |

# Consolidated Balance Sheet

*At 31 March, 2008*

| | Notes | 2008<br>HK$ | 2007<br>HK$ |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | *14* | **235,385,262** | 251,080,441 |
| Prepaid lease payments | *15* | **3,251,515** | 3,340,125 |
| Deposits for land use rights | | **31,515,152** | 31,515,152 |
| | | **270,151,929** | 285,935,718 |
| Current assets | | | |
| Inventories | *16* | **111,527,718** | 90,960,680 |
| Trade and other receivables | *17* | **220,180,979** | 162,458,348 |
| Prepaid lease payments | *15* | **88,610** | 88,610 |
| Held for trading investment | *18* | **–** | 3,745,560 |
| Tax recoverable | | **–** | 1,362,896 |
| Short-term bank deposits | *19* | **379,461,223** | 87,663,366 |
| Bank balances and cash | *19* | **34,292,415** | 26,110,851 |
| | | **745,550,945** | 372,390,311 |
| Current liabilities | | | |
| Trade and other payables | *20* | **91,161,530** | 65,481,745 |
| Tax liabilities | | **947,356** | 216,192 |
| Bank borrowings | *21* | **6,044,735** | 3,873,408 |
| | | **98,153,621** | 69,571,345 |
| Net current assets | | **647,397,324** | 302,818,966 |
| Total assets less current liabilities | | **917,549,253** | 588,754,684 |
| Non-current liabilities | | | |
| Convertible notes | *22* | **122,990,000** | – |
| Deferred taxation | *23* | **15,433,590** | 17,416,223 |
| | | **138,423,590** | 17,416,223 |
| Net assets | | **779,125,663** | 571,338,461 |
| Capital and reserves | | | |
| Share capital | *24* | **50,967,728** | 33,227,728 |
| Reserves | | **728,157,935** | 538,110,733 |
| Total equity | | **779,125,663** | 571,338,461 |

The financial statements on pages 25 to 67 were approved and authorised for issue by the Board of Directors on 14 July, 2008 and are signed on its behalf by:

**Suek Ka Lun, Ernie**
*CHIEF EXECUTIVE OFFICER & DIRECTOR*

**Suek Chai Hong**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

*For the year ended 31 March, 2008*

| | Share capital HK$ | Share premium HK$ | Convertible notes equity reserve HK$ | Capital redemption reserve HK$ | Translation reserve HK$ | Retained profits HK$ | Total HK$ |
|---|---|---|---|---|---|---|---|
| At 1 April, 2006 | 33,227,728 | 73,718,196 | – | 62,400 | 5,156,381 | 441,876,670 | 554,041,375 |
| Exchange differences arising from translation of foreign operations | – | – | – | – | 12,044,485 | – | 12,044,485 |
| Profit for the year | – | – | – | – | – | 34,493,002 | 34,493,002 |
| Total recognised income for the year | – | – | – | – | 12,044,485 | 34,493,002 | 46,537,487 |
| Dividends paid | – | – | – | – | – | (29,240,401) | (29,240,401) |
| At 31 March, 2007 | 33,227,728 | 73,718,196 | – | 62,400 | 17,200,866 | 447,129,271 | 571,338,461 |
| Exchange differences arising from translation of foreign operations | – | – | – | – | 15,293,231 | – | 15,293,231 |
| Profit for the year | – | – | – | – | – | 39,019,742 | 39,019,742 |
| Total recognised income for the year | – | – | – | – | 15,293,231 | 39,019,742 | 54,312,973 |
| Issue of new shares | 17,740,000 | 141,920,000 | – | – | – | – | 159,660,000 |
| Recognition of equity component of convertible notes | – | – | 17,110,000 | – | – | – | 17,110,000 |
| Transaction costs attributable to issue of new shares | – | (4,688,243) | – | – | – | – | (4,688,243) |
| Dividends paid | – | – | – | – | – | (18,607,528) | (18,607,528) |
| At 31 March, 2008 | 50,967,728 | 210,949,953 | 17,110,000 | 62,400 | 32,494,097 | 467,541,485 | 779,125,663 |

# Consolidated Cash Flow Statement

*For the year ended 31 March, 2008*

| | 2008 HK$ | 2007 HK$ |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before taxation | **41,184,025** | 40,761,200 |
| Adjustments for: | | |
| Allowance for bad and doubtful debts | **3,349,914** | 1,599,372 |
| Write-down of inventories | **170,000** | 1,115,693 |
| Depreciation of property, plant and equipment | **36,650,496** | 37,870,264 |
| Release of prepaid lease payments | **88,610** | 88,610 |
| (Gain) loss on disposal of property, plant and equipment | **(13,294,655)** | 2,004,328 |
| Interest expense | **4,092,606** | 501,349 |
| Interest income | **(9,592,481)** | (1,803,123) |
| Gain on fair value change of held for trading investment | **(154,440)** | (2,936,258) |
| Operating cash flows before movements in working capital | **62,494,075** | 79,201,435 |
| Increase in inventories | **(19,455,631)** | (6,744,919) |
| (Increase) decrease in trade and other receivables | **(55,458,926)** | 8,756,273 |
| Decrease in held for trading investment | **3,900,000** | 27,825,307 |
| Increase (decrease) in trade and other payables | **26,870,972** | (805,595) |
| Cash generated from operations | **18,350,490** | 108,232,501 |
| Hong Kong Profits Tax paid | **(1,411,409)** | (7,496,014) |
| Overseas tax paid | **(641,447)** | (680,259) |
| NET CASH FROM OPERATING ACTIVITIES | **16,297,634** | 100,056,228 |
| INVESTING ACTIVITIES | | |
| Deposits paid for acquisition of land use rights | **–** | (1,515,152) |
| Purchase of property, plant and equipment | **(18,795,543)** | (48,124,355) |
| Proceeds from disposal of property, plant and equipment | **16,520,500** | 4,600,330 |
| Interest received | **9,592,481** | 1,803,123 |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | **7,317,438** | (43,236,054) |
| FINANCING ACTIVITIES | | |
| Repayment of bank import loans | **(23,736,757)** | (46,086,430) |
| Dividends paid | **(18,607,528)** | (29,240,401) |
| Share issue expenses | **(4,688,243)** | – |
| Convertible notes transaction costs | **(3,700,000)** | – |
| Interest paid | **(292,606)** | (501,349) |
| Proceeds on issue of shares | **159,660,000** | – |
| Issue of convertible notes | **140,000,000** | – |
| New bank import loans raised | **25,908,084** | 43,232,902 |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | **274,542,950** | (32,595,278) |

# Consolidated Cash Flow Statement *(Continued)*

*For the year ended 31 March, 2008*

| | **2008** **HK$** | 2007 HK$ |
|---|---|---|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **298,158,022** | 24,224,896 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **113,774,217** | 87,763,700 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **1,821,399** | 1,785,621 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | **413,753,638** | 113,774,217 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Short-term bank deposits | **379,461,223** | 87,663,366 |
| Bank balances and cash | **34,292,415** | 26,110,851 |
| | **413,753,638** | 113,774,217 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March, 2008*

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information to the annual report.

The Company acts as an investment holding company. The principal activities and details of its subsidiaries are set out in note 31.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 April, 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital disclosures |
| HKFRS 7 | Financial instruments: Disclosures |
| HK(IFRIC) – INT 8 | Scope of HKFRS 2 |
| HK(IFRIC) – INT 9 | Reassessment of embedded derivatives |
| HK(IFRIC) – INT 10 | Interim financial reporting and impairment |
| HK(IFRIC) – INT 11 | HKFRS 2 – Group and treasury share transactions |

The application of the New HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior years under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of financial statements[1] |
| HKAS 23 (Revised) | Borrowing costs[1] |
| HKAS 27 (Revised) | Consolidated and separate financial statements[2] |
| HKAS 32 & 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation[1] |
| HKFRS 2 (Amendment) | Vesting conditions and cancellations[1] |
| HKFRS 3 (Revised) | Business combinations[2] |
| HKFRS 8 | Operating segments[1] |
| HK(IFRIC) – INT 12 | Service concession arrangements[3] |
| HK(IFRIC) – INT 13 | Customer loyalty programmes[4] |
| HK(IFRIC) – INT 14 | HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3] |

1 Effective for accounting periods beginning on or after 1 January, 2009.
2 Effective for accounting periods beginning on or after 1 July, 2009.
3 Effective for accounting periods beginning on or after 1 January, 2008.
4 Effective for accounting periods beginning on or after 1 July, 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

### Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

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

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

*Leasehold land and building*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### Retirement benefit costs

Payments to defined contribution retirement benefits schemes and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*

The Group's financial assets are classified into held for trading investments and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*Financial assets (Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

Held for trading investments

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, held for trading investments are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, short-term bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial asses below).

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*Impairment of financial assets*

Financial assets, other than held for trading investments, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible notes contain liability and equity components, and early redemption option derivative

Convertible notes issued by the Group that contain liability, conversion option and early redemption option (which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, both the liability and early redemption option components are measured at fair value. The difference between the gross proceeds of the issue of the convertible notes and the fair values assigned to the liability and early redemption option components respectively, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*Financial liabilities and equity (Continued)*

Convertible notes contain liability and equity components, and early redemption option derivative *(Continued)*

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Embedded derivatives**

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

**Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Estimated impairment of trade receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise.

### Depreciation

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

## 5. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | **2008** | 2007 |
|---|---|---|
| | **HK$** | HK$ |
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | **633,076,884** | 274,033,004 |
| Held for trading investment | **–** | 3,745,560 |
| | **633,076,884** | 277,778,564 |
| Financial liabilities | | |
| Amortised cost | **218,966,686** | 65,349,544 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 5. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, held for trading investments, short-term bank deposits, bank balances, trade and other payables, convertible notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

(i) Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain trade receivables, bank balances, trade payables, bank borrowings of the Group are denominated in Renminbi ("RMB"), United States dollars ("USD"), Euro and Great Britain Pound, the currencies other than the functional currency of the respective group entities are disclosed in notes 17, 19, 20 and 21 respectively. Approximately 30% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 20% of costs are denominated in currencies other than the functional currency of the group entity's functional currency. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are approximately as follows:

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$** | HK$ | **HK$** | HK$ |
| USD | **176,167,000** | 104,368,000 | **6,045,000** | 3,873,000 |
| RMB | **–** | – | **59,891,000** | 40,614,000 |
| Others | **2,499,000** | 1,349,000 | **569,000** | 562,000 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 5. FINANCIAL INSTRUMENTS *(Continued)*

**Financial risk management objectives and policies** *(Continued)*

*Market risk (Continued)*

(i) Currency risk *(Continued)*

Sensitivity analysis

Since the exchange rate of HK$ is pegged with USD, the currency risk is mainly arising from exchange rate of RMB against HK$.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against RMB. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where Hong Kong dollars strengthen 5% against RMB. For a 5% weakening of Hong Kong dollars against RMB, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

| | **Impact of RMB** | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$** | HK$ |
| Increase in profit for the year | **2,695,095** | 1,827,630 |

(ii) Interest rate risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to held for trading investment, convertible notes (including the embedded derivative for early redemption right by the Company and the liability element) and fixed-rate bank borrowings. The Group has not used any derivative instruments to hedge its exposure to interest rate risk. The directors consider part of the Group's exposure to interest rate risk is not significant as (i) the amounts of held for trading investment is not significant and (ii) bank borrowings are within short maturing period.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank deposits and bank balances. The Group has not used any derivative instruments in order to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 5. FINANCIAL INSTRUMENTS *(Continued)*

**Financial risk management objectives and policies** *(Continued)*

*Market risk (Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis

The impact on the Group's cash flow is due in part to its sensitivity to interest rate which has been determined based on the exposure to the variable-rate bank deposits and bank balances. The analysis is prepared assuming the amount of asset outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March, 2008 would increase/decrease by HK$3,734,165 (2007: HK$837,900). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and balances.

### Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, short-term bank deposits and bank balances.

As at 31 March, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amounts of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has significant concentration of credit risk on other receivables which included a deposit of approximately HK$45.5 million placed with a securities house. Other than the aforesaid, there is no significant concentration of credit risk in receivables as the exposure spread over a number of counterparties and customers.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 5. FINANCIAL INSTRUMENTS *(Continued)*

**Liquidity risk**

As at 31 March, 2008, the Group has undiscounted cash flows of approximately HK$6,226,000 (2007: HK$3,989,000) on bank borrowings payable within one year. The carrying amount of such bank borrowings is approximately HK$6,045,000 (2007: HK$3,873,000).

For convertible notes, the Group has approximately HK$142.8 million contractual cash outflow in November 2009 with carrying amount of HK$122.99 million as at 31 March, 2008.

Except for bank borrowings and convertible notes as stated above, the directors consider that liquidity risk is limited after considering the future cash flows of the Group in the foreseeable future as the Group has mainly short-term liabilities which are to be repaid within six months from respective balance sheet dates. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

*Fair values*

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities carried at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 6. REVENUE AND SEGMENTS

Revenue, which is also turnover of the Group, represents the amounts received and receivable for goods sold by the Group, less returns and allowances during the year.

### Geographical segments

The location of customers is the basis on which the Group reports its primary segment information. The following is an analysis of the Group's segment information for the year ended 31 March, 2008 and 2007 by location of customers.

**Consolidated income statement for the year ended 31 March, 2008**

| | Hong Kong | Other regions in the People's Republic of China ("PRC") | Europe | United States of America | Other | Consolidated |
|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| Revenue | 427,656,609 | 173,352,126 | 4,477,310 | 78,804,867 | 44,272,233 | 728,563,145 |
| Segment result | 55,122,029 | 22,193,910 | 577,095 | 10,157,411 | 5,706,390 | 93,756,835 |
| Unallocated corporate expenses | | | | | | (71,521,780) |
| Gain on disposal of property, plant and equipment | | | | | | 13,294,655 |
| Gain on fair value change of held for trading investment | | | | | | 154,440 |
| Interest income | | | | | | 9,592,481 |
| Finance costs | | | | | | (4,092,606) |
| Profit before taxation | | | | | | 41,184,025 |
| Taxation | | | | | | (2,164,283) |
| Profit for the year | | | | | | 39,019,742 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 6. REVENUE AND SEGMENTS *(Continued)*

**Geographical segments** *(Continued)*

**Consolidated balance sheet at 31 March, 2008**

| | Hong Kong | Other regions in the PRC | Europe | United States of America | Other | Consolidated |
|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| Assets | | | | | | |
| Segment assets | 86,126,306 | 52,606,999 | 5,987,419 | 9,245,372 | 15,590,562 | 169,556,658 |
| Unallocated corporate assets | | | | | | 846,146,216 |
| Total consolidated assets | | | | | | 1,015,702,874 |
| Liabilities | | | | | | |
| Unallocated corporate liabilities and total consolidated liabilities | | | | | | 236,577,211 |

**Other information for the year ended 31 March, 2008**

| | Hong Kong | Other regions in the PRC | Europe | United States of America | Other | Consolidated |
|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| Allowance for bad and doubtful debts | 1,087 | 3,348,827 | – | – | – | 3,349,914 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 6. REVENUE AND SEGMENTS *(Continued)*

**Geographical segments** *(Continued)*

**Consolidated income statement for the year ended 31 March, 2007**

| | Hong Kong | Other regions in the PRC | Europe | United States of America | Other | Consolidated |
|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| Revenue | 449,062,260 | 61,171,798 | 37,957,110 | 72,689,770 | 57,147,587 | 678,028,525 |
| Segment result | 70,705,615 | 9,631,604 | 5,976,412 | 11,445,128 | 8,997,986 | 106,756,745 |
| Unallocated corporate expenses | | | | | | (70,233,577) |
| Gain on fair value change of held for trading investments | | | | | | 2,936,258 |
| Interest income | | | | | | 1,803,123 |
| Interest expense | | | | | | (501,349) |
| Profit before taxation | | | | | | 40,761,200 |
| Taxation | | | | | | (6,268,198) |
| Profit for the year | | | | | | 34,493,002 |

**Consolidated balance sheet at 31 March, 2007**

| | Hong Kong | Other regions in the PRC | Europe | United States of America | Other | Consolidated |
|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| Assets | | | | | | |
| Segment assets | 90,723,837 | 22,651,609 | 6,001,353 | 23,677,756 | 14,148,666 | 157,203,221 |
| Unallocated corporate assets | | | | | | 501,122,808 |
| Total consolidated assets | | | | | | 658,326,029 |
| Liabilities | | | | | | |
| Unallocated corporate liabilities and total consolidated liabilities | | | | | | 86,987,568 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 6. REVENUE AND SEGMENTS *(Continued)*

**Geographical segments** *(Continued)*

**Other information for the year ended 31 March, 2007**

| | Hong Kong | Other regions in the PRC | Europe | United States of America | Other | Consolidated |
|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| Allowance for bad and doubtful debts | 218,729 | 1,380,643 | – | – | – | 1,599,372 |

No analysis of capital expenditure, depreciation, prepaid lease payments charged and write-down of inventories by location of customers is disclosed for both years as in the opinion of the directors, there is no appropriate basis in allocating the property, plant and equipment, inventories and prepaid lease payments by location of customers.

The following is an analysis of the carrying amount of segment assets at the balance sheet date, and additions to property, plant and equipment during the year, analysed by the geographical area in which the assets are located:

| | Carrying amount of segment assets | | Additions to property, plant and equipment | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$** | HK$ | **HK$** | HK$ |
| Hong Kong | **158,186,495** | 161,085,392 | **5,758,921** | 5,030 |
| Other regions in the PRC | **366,768,883** | 346,842,812 | **13,036,622** | 48,119,325 |
| | **524,955,378** | 507,928,204 | **18,795,543** | 48,124,355 |

**Business segments**

The Group's revenue and results are derived from the printing business. Accordingly, no analysis by business segments is presented.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 7. FINANCE COSTS

| | **2008** | 2007 |
|---|---|---|
| | **HK$** | HK$ |
| Interest on: | | |
| Bank borrowings wholly repayable within five years | **292,606** | 501,349 |
| Effective interest expense on convertible notes *(note 22)* | **3,800,000** | – |
| | **4,092,606** | 501,349 |

## 8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2007: 11) directors were as follows:

| | **Executive directors** | | | | **Non-executive directors** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Ng Wai Chi** | **Suek Chai Hong** | **Suek Ka Lun** | **Lau Chin Hung, Edwin** | **Suek Chai Kit, Christopher** | **Suek, Che Hin** | **Chan Kwing Choi, Warren** | **Wong Sun Fat** | **Au Yan, Alfred** | **Ng Wai Kwan** | **Tse Tin Tai** | **Total** |
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| | | | | | *(Note a)* | | *(Note b)* | | *(Note c)* | | | |
| **2008** | | | | | | | | | | | | |
| Fees | – | – | – | – | – | – | 210,000 | – | – | – | – | 210,000 |
| Other emoluments | | | | | | | | | | | | |
| – Salaries and other benefits | 513,000 | 108,000 | 528,000 | 972,000 | 2,211,600 | – | – | – | – | – | – | 4,332,600 |
| – Contributions to retirement benefits schemes | 27,000 | – | 12,000 | 12,000 | 116,400 | – | – | – | – | – | – | 167,400 |
| Total emoluments | 540,000 | 108,000 | 540,000 | 984,000 | 2,328,000 | – | 210,000 | – | – | – | – | 4,710,000 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 8. DIRECTORS' EMOLUMENTS *(Continued)*

| | Executive directors | | | | Non-executive directors | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Suek Chai Kit, Christopher | Ng Wai Chi | Suek Chai Hong | Suek Ka Lun | Lau Chin Hung, Edwin | Suek Che Hin | Chan Kwing Choi, Warren | Tse Po Lau, Paul | Wong Sun Fat | Ng Wai Kwan | Tse Tin Tai | Total |
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ *(Note d)* | HK$ | HK$ | HK$ | HK$ |
| **2007** | | | | | | | | | | | | |
| Fees | – | – | – | – | – | – | – | – | – | – | – | – |
| Other emoluments | | | | | | | | | | | | |
| – Salaries and other benefits | 1,286,965 | 511,575 | 108,000 | 483,000 | 406,000 | – | – | – | – | – | – | 2,795,540 |
| – Contributions to retirement benefits schemes | 67,735 | 26,925 | – | 12,000 | 4,000 | – | – | – | – | – | – | 110,660 |
| Total emoluments | 1,354,700 | 538,500 | 108,000 | 495,000 | 410,000 | – | – | – | – | – | – | 2,906,200 |

*Notes:*

(a) Dr. Suek Chai Kit, Christopher has been re-designated as non-executive director of the Company from executive director with effect from 29 November, 2007.

(b) Mr. Chan Kwing Choi, Warren has been re-designated as non-executive director of the Company from independent non-executive director with effect from 29 November, 2007.

(c) Mr. Au Yan, Alfred has been appointed as independent non-executive director of the Company with effect from 29 November, 2007.

(d) Mr. Tse Po Lau, Paul has been resigned as independent non-executive director of the Company with effect from 29 August, 2006.

(e) The directors' remuneration does not include the estimated monetary value of a property owned by the Group and occupied by a director of the Company. The estimated monetary value of the residential accommodation provided to the director during the year was HK$266,050 (2007: HK$375,600).

No directors of the Company waived any emoluments in any of the two years ended 31 March, 2008.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2007: three) were directors of the Company whose emoluments are set out in the disclosure in note 8. The emoluments of the remaining one (2007: two) individual are as follows:

| | **2008** **HK$** | 2007 HK$ |
|---|---|---|
| Salaries and other benefits | **1,900,200** | 2,531,761 |
| Contributions to retirement benefits schemes | **55,800** | 81,585 |
| | **1,956,000** | 2,613,346 |

Their emoluments were within the following bands:

| | **2008** **Number of employees** | 2007 Number of employees |
|---|---|---|
| Nil to HK$1,000,000 | **–** | 1 |
| HK$1,500,001 to HK$2,000,000 | **1** | – |
| HK$2,000,001 to HK$2,500,000 | **–** | 1 |

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in any of the two years ended 31 March, 2008.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 10. TAXATION

| | **2008** **HK$** | 2007 HK$ |
|---|---|---|
| The taxation charge comprises: | | |
| Hong Kong Profits Tax | | |
| Charge for the year | **4,343,287** | 4,205,975 |
| Overprovision in prior years | **(715,835)** | (383,204) |
| | **3,627,452** | 3,822,771 |
| Overseas taxation | | |
| Charge for the year | **519,464** | 723,472 |
| Deferred tax (credit) charge *(note 23)* | | |
| Current year | **(1,982,633)** | 1,721,955 |
| | **2,164,283** | 6,268,198 |

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | **2008** **HK$** | 2007 HK$ |
|---|---|---|
| Profit before taxation | **41,184,025** | 40,761,200 |
| Tax at the income tax rate of 17.5% | **7,207,205** | 7,133,209 |
| Tax effect of expenses not deductible for tax purposes | **249,007** | 611,247 |
| Tax effect of income not taxable for tax purposes | **(4,631,511)** | (1,004,327) |
| Tax effect of the tax losses not recognised | **141,995** | 36,111 |
| Overprovision in respect of prior years | **(715,835)** | (383,204) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(86,578)** | (124,838) |
| Taxation for the year | **2,164,283** | 6,268,198 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 11. PROFIT FOR THE YEAR

| | 2008 HK$ | 2007 HK$ |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Allowance for bad and doubtful debts | **3,349,914** | 1,599,372 |
| Write-down of inventories | **170,000** | 1,115,693 |
| Auditor's remuneration | **1,270,000** | 1,262,680 |
| Cost of inventories recognised as an expense | **603,614,375** | 541,280,387 |
| Depreciation of property, plant and equipment | **36,650,496** | 37,870,264 |
| (Gain) loss on disposal of property, plant and equipment | **(13,294,655)** | 2,004,328 |
| Net foreign exchange losses | **4,100,581** | 2,785,870 |
| Prepaid lease payments charged to consolidated income statement | **88,610** | 88,610 |
| Rental payments in respect of premises under operating leases | **4,434,841** | 4,240,017 |
| Staff costs including directors' emoluments | | |
| – Salaries, wages and other benefits | **137,470,614** | 125,991,042 |
| – Contributions to retirement benefits schemes | **993,805** | 1,240,498 |
| Total staff costs | **138,464,419** | 127,231,540 |
| Gain on fair value change of held for trading investment | **(154,440)** | (2,936,258) |

## 12. DIVIDENDS RECOGNISED AS DISTRIBUTIONS DURING THE YEAR

| | 2008 HK$ | 2007 HK$ |
|---|---|---|
| Interim dividend, paid – HK0.091 cents (2007: HK2.8 cents) per share | **9,303,764** | 9,303,764 |
| 2007 final dividend paid – HK2.8 cents per share | **9,303,764** | – |
| 2006 final dividend paid – HK6 cents per share | **–** | 19,936,637 |
| | **18,607,528** | 29,240,401 |

Subsequent to 31 March, 2008, the directors proposed a final dividend of HK0.091 cents (2007: HK2.8 cents) per share be paid to the shareholders of the Company whose names appear on the Register of Members on 22 August, 2008. This final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

| | **2008** | 2007 |
|---|---|---|
| | **HK$** | HK$ |
| Earnings for the purposes of basic earnings per share (profit for the year) | **39,019,742** | 34,493,002 |
| Effect of dilutive potential ordinary shares – interest on convertible notes | **3,800,000** | N/A |
| Earnings for the purposes of diluted earnings per share | **42,819,742** | N/A |
| **Number of shares** | **2008** | 2007 |
| Weighted average number of shares for the purpose of basic earnings per share | **8,192,408,988** | 6,645,545,600 |
| Effect of dilutive potential ordinary shares: Convertible notes | **953,901,132** | N/A |
| Weighed average number of shares for the purpose of diluted earnings per share | **9,146,310,120** | N/A |

Pursuant to the special general meeting held on 23 October, 2007, each of the then issued and unissued shares of HK$0.10 each in the share capital of the Company is subdivided into twenty shares of HK$0.005 each in the share capital of the Company with effect from 24 October, 2007. Accordingly, the weighted average number of ordinary shares for the purpose of earnings per share has been adjusted for each of the years ended 31 March, 2008 and 31 March, 2007.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress | Leasehold land and buildings | Leasehold improvements | Furniture, fixtures and office equipment | Machinery and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| COST | | | | | | | |
| At 1 April, 2006 | 155,769 | 116,826,376 | 41,687,029 | 26,460,710 | 393,446,216 | 10,002,520 | 588,578,620 |
| Exchange adjustments | 7,867 | 2,151,555 | 50,303 | 1,357,894 | 1,306,845 | 56,328 | 4,930,792 |
| Additions | – | 408,384 | 550,766 | 1,191,728 | 45,973,477 | – | 48,124,355 |
| Disposal | – | (8,633,540) | – | – | – | – | (8,633,540) |
| Transfer | (163,636) | 111,111 | – | – | 52,525 | – | – |
| At 31 March, 2007 | – | 110,863,886 | 42,288,098 | 29,010,332 | 440,779,063 | 10,058,848 | 633,000,227 |
| Exchange adjustments | – | 4,527,184 | 83,547 | 3,010,540 | 2,858,372 | 117,162 | 10,596,805 |
| Additions | 4,839,338 | 400,000 | 820,000 | 932,586 | 11,683,807 | 119,812 | 18,795,543 |
| Disposal | – | (4,704,685) | – | – | – | – | (4,704,685) |
| At 31 March, 2008 | 4,839,338 | 111,086,385 | 43,191,645 | 32,953,458 | 455,321,242 | 10,295,822 | 657,687,890 |
| DEPRECIATION | | | | | | | |
| At 1 April, 2006 | – | 24,973,603 | 33,963,378 | 21,466,601 | 254,981,458 | 8,841,191 | 344,226,231 |
| Exchange adjustment | – | 267,691 | 28,281 | 740,425 | 779,341 | 36,435 | 1,852,173 |
| Provided for the year | – | 3,114,258 | 783,640 | 3,988,485 | 29,740,763 | 243,118 | 37,870,264 |
| Eliminated on disposal | – | (2,028,882) | – | – | – | – | (2,028,882) |
| At 31 March, 2007 | – | 26,326,670 | 34,775,299 | 26,195,511 | 285,501,562 | 9,120,744 | 381,919,786 |
| Exchange adjustment | – | 818,981 | 50,998 | 2,169,309 | 2,078,617 | 93,281 | 5,211,186 |
| Provided for the year | – | 3,149,067 | 658,583 | 3,387,546 | 29,280,504 | 174,796 | 36,650,496 |
| Eliminated on disposal | – | (1,478,840) | – | – | – | – | (1,478,840) |
| At 31 March, 2008 | – | 28,815,878 | 35,484,880 | 31,752,366 | 316,860,683 | 9,388,821 | 422,302,628 |
| CARRYING VALUES | | | | | | | |
| At 31 March, 2008 | 4,839,338 | 82,270,507 | 7,706,765 | 1,201,092 | 138,460,559 | 907,001 | 235,385,262 |
| At 31 March, 2007 | – | 84,537,216 | 7,512,799 | 2,814,821 | 155,277,501 | 938,104 | 251,080,441 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | 2% – 3% |
| Leasehold improvements | 20% |
| Furniture, fixtures and office equipment | 10% – 25% |
| Machinery and equipment | 10% – 25% |
| Motor vehicles | 25% |

| | **2008** **HK$** | 2007 HK$ |
|---|---|---|
| The carrying values of leasehold land and buildings shown above comprise: | | |
| Leasehold land and buildings in Hong Kong under medium-term leases | **32,528,370** | 36,729,416 |
| Buildings in other regions in the PRC under medium-term leases | **49,742,137** | 47,807,800 |
| | **82,270,507** | 84,537,216 |

Property, plant and equipment with an aggregate carrying value of HK$32,528,370 (2007: HK$33,436,138) have been pledged to banks to secure general banking facilities granted to the Group.

## 15. PREPAID LEASE PAYMENTS

| | **2008** **HK$** | 2007 HK$ |
|---|---|---|
| The Group's prepaid lease payments comprise: | | |
| Medium-term leasehold land in the PRC | **3,340,125** | 3,428,735 |
| Analysed for reporting purposes as: | | |
| Non-current asset | **3,251,515** | 3,340,125 |
| Current asset | **88,610** | 88,610 |
| | **3,340,125** | 3,428,735 |

The leasehold land is charged to consolidated income statement on a straight-line basis over the remaining term of the leases.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 16. INVENTORIES

| | **2008** | 2007 |
|---|---|---|
| | **HK$** | HK$ |
| Raw materials | **71,942,116** | 56,687,033 |
| Work in progress | **14,833,393** | 14,749,398 |
| Finished goods | **24,752,209** | 19,524,249 |
| | **111,527,718** | 90,960,680 |

## 17. TRADE AND OTHER RECEIVABLES

The Group's credit terms on sales are generally with a range from 60 to 90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition. An aging analysis of the trade receivables is as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$** | HK$ |
| 0 – 30 days | **73,272,178** | 60,956,516 |
| 31 – 60 days | **25,239,767** | 24,525,333 |
| 61 – 90 days | **32,416,368** | 30,452,894 |
| Over 90 days | **38,628,345** | 41,268,478 |
| | **169,556,658** | 157,203,221 |
| Deposits, prepayments and other receivables | **50,624,321** | 5,255,127 |
| | **220,180,979** | 162,458,348 |

Trade receivables of approximately HK$33,232,000 (2007: HK$16,339,000) and HK$1,928,000 (2007: nil) were denominated in USD and Great British Pound, the currencies other than the functional currency of the respective group entities.

Deposits, prepayments and other receivables included a deposit of approximately HK$45.5 million (2007: nil) placed with a securities house. The amount is unsecured, repayable on demand and bears interest at 2% per annum.

As at 31 March, 2008, other receivables of the Group include an amount due from a related company of HK$198,845 (2007: HK$113,665) which is unsecured, interest free and is repayable on demand. Dr. Suek Chai Kit, Christopher, director of the Company, is one of the ultimate beneficial owners and directors of the related company. Mr. Suek Chai Hong is one of the directors of this related company.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 17. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and age analysis of accounts and on management's judgment including the credit creditworthiness and the past collection history of each client.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of approximately HK$38,628,000 (2007: HK$41,268,000), which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days (2007: 180 days).

Ageing of trade receivables which are past due but not impaired.

| | **2008**<br>**HK$** | 2007<br>HK$ |
|---|---|---|
| 91 to 180 days | **30,652,738** | 32,204,710 |
| 181 to 365 days | **5,135,274** | 5,728,179 |
| Over 365 days | **2,840,333** | 3,335,589 |
| Total | **38,628,345** | 41,268,478 |

Movement in the allowance for doubtful debts.

| | **2008**<br>**HK$** | 2007<br>HK$ |
|---|---|---|
| Balance at beginning of the year | **4,457,531** | 3,839,644 |
| Impairment losses recognised on receivables | **3,349,914** | 1,599,372 |
| Amounts written off as uncollectible | **(317,751)** | (996,679) |
| Exchange realignment | **16,482** | 15,194 |
| Balance at end of the year | **7,506,176** | 4,457,531 |

Included in the allowance for doubtful debts are individually impaired trade receivables which have been in severe financial difficulties in repaying the outstanding balances. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the report date. The trade receivables past due but not provided for were either subsequently settled as at the date of this report or no historical default of payments was noted by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 18. HELD FOR TRADING INVESTMENT

Held for trading investment represented investment in listed debt security with fixed interest of 5.15% and maturity date on 30 March, 2010. During the year, the Group disposed of the entire trading investment.

## 19. SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

Short term bank deposits, bank balances and cash comprise cash held by the Group and bank deposits with an original maturity of three months or less. Bank balances and short-term bank deposits of approximately HK$142,935,000 (2007: HK$88,029,000), nil (2007: HK$72,000) and HK$571,000 (2007: HK$1,277,000) were denominated in USD, Japanese Yen and Euro respectively, the currencies other than the functional currency of the respective group entities.

Further, included in the short term bank deposits, bank balances and cash are amounts denominated in RMB of approximately HK$41,325,000 (2007: HK$14,943,000), which are not freely convertible into other currencies.

The bank balances and short-term bank deposits carry interest rates with a range from 2.5% to 6% (2007: 2.5% to 4.5%) per annum.

## 20. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables at the balance sheet date is as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$** | HK$ |
| 0 – 30 days | **58,798,037** | 40,140,717 |
| 31 – 60 days | **9,817,372** | 5,086,892 |
| 61 – 90 days | **916,303** | 2,035,065 |
| Over 90 days | **1,480,102** | 892,839 |
| | **71,011,814** | 48,155,513 |
| Accrued expenses and other payables | **20,149,716** | 17,326,232 |
| | **91,161,530** | 65,481,745 |

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

Trade payables of approximately HK$59,891,000 (2007: HK$40,614,000) and HK$569,000 (2007: HK$562,000) were denominated in RMB and Japanese Yen respectively, the currencies other than the functional currency of the respective group entities.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 21. BANK BORROWINGS

The bank borrowings are unsecured bank import loans which are repayable within one year from the balance sheet date and carry fixed interest rate with a range from 4% to 4.5% (2007: 5.5% to 6.5%) per annum.

All the bank borrowings were denominated in USD, the currency other than the functional currency of the respective group entities.

## 22. CONVERTIBLE NOTES

Pursuant to a placing agreement entered into between the Company and Kingston Securities Limited dated 24 August, 2007, the Company issued convertible notes amounting to HK$140,000,000 on 9 November, 2007. The convertible notes are denominated in HK$. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the convertible notes and their settlement date on 8 November, 2009 at an initial conversion price of HK$1.15 per convertible note, which was subsequently adjusted to HK$0.0575 per convertible note resulting from the share subdivision in October 2007. If the convertible notes have not been converted, they will be redeemed on 8 November, 2009 at par. The Company shall redeem all outstanding convertible notes at any time after the expiry of six months from the date of issue of the convertible notes together with interest accrued to the date fixed for redemption. Interest of 1% will be paid at maturity in arrears.

The convertible notes contain three components, embedded derivative for early redemption right by the Company, liability and equity elements. The directors of the Company had assessed the fair value of the early redemption right and considered the fair value is insignificant. The equity element is presented in equity under the heading of convertible notes equity reserve. The effective interest rate of the liability component is 8% at the date of initial recognition.

The movement of the liability component of the convertible notes for the year is set out below:

| | *HK$* |
|---|---|
| Liability component at the issue date | 119,190,000 |
| Interest charge *(note 7)* | 3,800,000 |
| Liability at 31 March, 2008 | 122,990,000 |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 23. DEFERRED TAXATION

The following are the major deferred tax liability (asset) recognised and movements thereon during the current and prior years:

| | **Accelerated tax depreciation** HK$ | **Tax losses** HK$ | **Total** HK$ |
|---|---|---|---|
| At 1 April, 2006 | 16,458,683 | (764,415) | 15,694,268 |
| Charge to consolidated income statement for the year | 1,641,670 | 80,285 | 1,721,955 |
| At 31 March, 2007 | 18,100,353 | (684,130) | 17,416,223 |
| (Credit) charge to consolidated income statement for the year | (2,130,193) | 147,560 | (1,982,633) |
| At 31 March, 2008 | 15,970,160 | (536,570) | 15,433,590 |

At the balance sheet date, the Group has estimated unused tax losses of approximately HK$14,283,000 (2007: HK$14,316,000) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$3,066,000 (2007: HK$3,909,000) of the tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$11,217,000 (2007: HK$10,407,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 24. SHARE CAPITAL OF THE COMPANY

| | Par value of each ordinary share | Number of shares | Share capital |
|---|---|---|---|
| | HK$ | | HK$'000 |
| Ordinary shares | | | |
| Authorised: | | | |
| At 1 April, 2006, 31 March, 2007 and 1 April, 2007 | 0.10 | 500,000,000 | 50,000,000 |
| Increase of authorised share capital *(note a)* | 0.10 | 4,500,000,000 | 450,000,000 |
| Share subdivision *(note b)* | | 95,000,000,000 | – |
| At 31 March, 2008 | 0.005 | 100,000,000,000 | 500,000,000 |
| Issued and fully paid | | | |
| At 1 April, 2006, 31 March, 2007 and 1 April, 2007 | 0.10 | 332,277,280 | 33,227,728 |
| Issue of shares through top-up subscription *(note c)* | 0.10 | 66,400,000 | 6,640,000 |
| Share subdivision *(note b)* | | 7,574,868,320 | – |
| Issue of shares through placement *(note d)* | | 2,220,000,000 | 11,100,000 |
| At 31 March, 2008 | 0.005 | 10,193,545,600 | 50,967,728 |

*Notes:*

(a) Pursuant to the special general meeting held on 24 September, 2007, it was resolved that the authorised share capital of the Company was increased from HK$50,000,000 divided into 500,000,000 shares of par value of HK$0.10 each, to HK$500,000,000 divided into 5,000,000,000 shares of par value of HK$0.10 each, to provide flexibility and facilitate the Company in its future expansion.

(b) Pursuant to the special general meeting held on 23 October, 2007, it was resolved that each of the existing issued and unissued shares of HK$0.10 each in the share capital of the Company was subdivided into twenty shares of HK$0.005 each in the share capital of the Company.

(c) On 24 August, 2007, CNA Company Limited ("CNA"), a substantial shareholder of the Company, a placing agent and the Company entered into a placing agreement ("Top-Up Placing Agreement"). Pursuant to the Top-Up Placing Agreement, CNA agreed to place, through the placing agent, an aggregate of 66,400,000 existing shares, on a fully underwritten basis, to independent third parties at a placing price of HK$0.9 per placing share and CNA agreed to subscribe for an aggregate of 66,400,000 new ordinary shares of HK$0.10 each of the Company at HK$0.9 per share.

(d) The new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 27 August, 2007. Pursuant to the placing agreement, 2,220,000,000 shares of the Company were placed through a placing agent at a price of HK$0.045 per share. The placement was completed in November 2007.

All the shares issued during the year ended 31 March, 2008 rank pari passu with the then existing shares in all respects.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 25. LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$** | HK$ |
| Within one year | **5,570,466** | 5,387,231 |
| In the second to fifth year inclusive | **8,024,949** | 5,935,177 |
| Over five years | **47,188,918** | 35,508,822 |
| | **60,784,333** | 46,831,230 |

Operating lease payments represent rentals payable by the Group for factory premises and staff quarters in the PRC. Leases for factory premises and staff quarters are negotiated for terms of 5 to 10 years. Rentals are fixed for 5 to 10 years.

## 26. CAPITAL COMMITMENTS

| | **2008** | 2007 |
|---|---|---|
| | **HK$** | HK$ |
| Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment | **8,219,043** | 359,500 |

## 27. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme ("ORSO Scheme") for certain qualifying employees in Hong Kong. The assets of the ORSO Scheme are held separately from those of the Group in funds under the control of the trustee. Contributions to the ORSO Scheme are at rates specified in the rules of the ORSO Scheme. Where there are employees who leave the ORSO Scheme prior to vesting in full in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1 December, 2000, the Group has also joined a mandatory provident fund scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 27. RETIREMENT BENEFITS SCHEMES *(Continued)*

The retirement benefits schemes contributions arising from the ORSO Scheme and the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

For the retirement benefits of the Group's qualifying employees in the PRC, the Group has participated in the retirement benefits scheme operated by the local municipal government of Shenzhen. The Group is required to contribute a certain percentage of their payroll costs to the scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme. Contributions to the scheme are charged to the consolidated income statement as they become payable in accordance with the rules of the scheme.

At 31 March, 2008 and 2007, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

## 28. LITIGATION

A subsidiary of the Company together with two former employees are defendants in a lawsuit in the PRC relating to a claim of approximately HK$3,000,000 by a plaintiff for copyright infringement of a printing technology claimed to be owned by the plaintiff. On 21 September, 2006, the court has made a judgment in favour of the plaintiff and accordingly, the subsidiary of the Company is liable for an indemnity of approximately HK$630,000. The subsidiary of the Company has filed an appeal to the court. While the final outcome of the proceeding is uncertain, in the directors' opinion, the ultimate liability of the Group, if any, will not have a material impact to the Group's financial position as at 31 March, 2008.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 29. RELATED PARTY TRANSACTIONS

(a) Apart from the amount due from a related company as disclosed in note 17, during the year, the Group has entered into significant transactions with related parties as follows:

| | **2008** **HK$** | 2007 HK$ |
|---|---|---|
| Sales of goods to a related company *(note i)* | **295,605** | 320,730 |
| Premises rental expenses *(note ii)* | **840,000** | 840,000 |
| Sales of property to: | | |
| a director | – | 1,323,000 |
| a senior executive *(note iii)* | – | 1,323,000 |
| the spouse of a director *(note iii)* | – | 1,954,330 |
| | – | 4,600,330 |

*Notes:*

(i) Dr. Suek Chai Kit, Christopher, a director of the Company, is one of the ultimate beneficial owners and directors of the related company. Mr. Suek Chai Hong, a director of the Company, is one of the directors of the related company.

(ii) The transaction was carried out with a related company, a company beneficially owned by the spouse and sons of Dr. Suek Chai Kit, Christopher.

(iii) These persons are directors of the subsidiaries of the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

| | **2008** **HK$** | 2007 HK$ |
|---|---|---|
| Short-term benefits | **7,488,031** | 5,583,678 |
| Post-employment benefits | **271,400** | 204,770 |
| | **7,759,431** | 5,788,448 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank borrowings and convertible notes disclosed in notes 21 and 22, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital and reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through new share issues, repurchase of shares and the issue of new debt or the redemption of the existing debt.

The Group's overall strategy remains unchanged from prior year.

## 31. PARTICULARS OF SUBSIDIARIES

| Name of subsidiary | Place of incorporation/ registration | Paid up issued/ registered share capital | Effective percentage of issued share capital/registered capital held by the Company | Principal activities |
|---|---|---|---|---|
| Chung Tai Management Limited | Hong Kong | HK$100 ordinary<br>HK$2 deferred non-voting | 100 | Inactive |
| Chung Tai Printing (B.V.I) Limited | British Virgin Islands | HK$10,000 | 100 | Investment holding |
| Chung Tai Printing (China) Company Limited | Hong Kong | HK$1,000 ordinary<br>HK$10,000 deferred non-voting | 100 | Label and offset printing |
| Chung Tai Printing Company Limited | Hong Kong | HK$1,000 ordinary<br>HK$500,000 deferred non-voting | 100 | Investment holding |
| Delight Source Limited | Hong Kong | HK$200,000 ordinary | 100 | Trading of advertising materials |

# Notes to the Consolidated Financial Statements *(Continued)*

*For the year ended 31 March, 2008*

## 31. PARTICULARS OF SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ registration | Paid up issued/ registered share capital | Effective percentage of issued share capital/registered capital held by the Company | Principal activities |
|---|---|---|---|---|
| Profit Link Investment Limited | Hong Kong | HK$100 ordinary HK$2 deferred non-voting | 100 | Property investment |
| The Greatime Offset Printing Company Limited | Hong Kong | HK$1,000 ordinary HK$1,000,000 deferred non-voting | 100 | Inactive |
| The Greatime Printing (Shenzhen) Co., Ltd. | The PRC | HK$12,000,000 registered capital | 100 | Label and offset printing |
| 中大印刷(清遠)有限公司 | The PRC | HK$44,100,000 registered capital | 100 | Inactive |
| 雅大印刷(清遠)有限公司 | The PRC | HK$10,000,000 registered capital | 100 | Inactive |

*Note:* The Greatime Printing (Shenzhen) Co., Ltd., 中大印刷(清遠)有限公司and 雅大印刷(清遠)有限公司 are wholly foreign owned enterprises in the PRC.

All operations are carried out in Hong Kong and the PRC.

With the exception of Chung Tai Printing (B.V.I.) Limited which is directly owned by the Company, all other subsidiaries are indirectly owned by the Company.

The deferred non-voting shares, which are not held by the Group, practically carry no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies or to participate in any distribution on winding up.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

# Financial Summary

## Results

| | For the year ended 31 March, | | | | |
|---|---|---|---|---|---|
| | 2004<br>HK$'000 | 2005<br>HK$'000 | 2006<br>HK$'000 | 2007<br>HK$'000 | **2008**<br>**HK$'000** |
| Revenue | 502,564 | 572,624 | 662,544 | 678,029 | **728,563** |
| Profit before taxation | 55,386 | 61,723 | 63,969 | 40,761 | **41,184** |
| Taxation | (6,820) | (7,386) | (6,512) | (6,268) | **(2,164)** |
| Profit for the year | 48,566 | 54,337 | 57,457 | 34,493 | **39,020** |

## ASSETS AND LIABILITIES

| | At 31 March, | | | | |
|---|---|---|---|---|---|
| | 2004<br>HK$'000 | 2005<br>HK$'000 | 2006<br>HK$'000 | 2007<br>HK$'000 | **2008**<br>**HK$'000** |
| Total Assets | 570,872 | 613,187 | 646,424 | 658,326 | **1,015,703** |
| Total Liabilities | 75,300 | 92,518 | 92,383 | 86,988 | **236,577** |
| Shareholders' Funds | 495,572 | 520,669 | 554,041 | 571,338 | **779,126** |


1


2

3

1. 香港總公司
   Hong Kong Head office
2. 横崗廠房
   Heng Gang Factory
3. 坳背廠房
   Aobei Factory


1

2


3

1. 滴膠
   Dome Resin Labels
2. 水移印紙
   Water Decal
3. 文具組合
   Stationery