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CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

ANNUAL REPORT 2010

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02 CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lui Shing Ming, Brian (*Chairman*)
Lui Shing Cheong (*Managing Director*)
Lui Shing Chung, Victor

Independent Non-executive Directors

Lam Chun Kong
Lo Wing Man
Ng Lai Man, Carmen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ong King Keung

LEGAL ADVISERS

Jennifer Cheung & Co.
Chiu & Partners

INDEPENDENT AUDITORS

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

4th Floor, Mai Sik Industrial Building
1-11 Kwai Ting Road
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

STOCK CODE

1196

COMPANY WEBSITE

<http://www.cheongming.com>

RESULTS

The Group recorded a total revenue of approximately HK\$458.7 million and profit attributable to equity holders of approximately HK\$15.7 million for the year ended 31 March 2010. Basic earning per share was HK2.58 cents, based on the weighted average of 608,093,868 shares in issue during the year.

DIVIDENDS

The Directors recommended the payment of final dividend of HK1 cent (2009: Nil) per share for the year ended 31 March 2010 to all shareholders whose name appear on the register of members of the Company on 28 July 2010, which is expected to be paid on or about 10 August 2010. This, together with interim dividend of HK1 cent per share already paid in January 2010, will bring the total dividend for the year to HK2 cents (2009: HK1 cent) per share.

BUSINESS REVIEW

The year 2010 remained a year of challenges and volatility. The Group recorded a total revenue of approximately HK\$458.7 million, which represented a decrease of about 11.7% to that of last year of approximately HK\$519.6 million. Gross profit margin of the Group was 27.8% for the year under review, having improved when compared to 24.9% of the previous year. The Group recorded a profit attributable to equity holders of approximately HK\$15.7 million for the year as against loss attributable to equity holders of HK\$6.6 million last year. The improvement was mainly attributable to the increase in gain arising from the Group's financial assets attributable by the recovery of the global financial markets whereas the Group recorded a loss arising from the Group's financial assets last year.

For the year under review, the principal activities of the Group continued to be printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, manufacture of children's novelty books, manufacture, trading and sale of hangtags, labels and shirt paper board, financial printing, provision of translation services and assets management businesses.

Printing and manufacture of packaging boxes, which included accompanying brochures, manuals and catalogues, together with the manufacture of children's novelty books continued to be the Group's major business. For the year under review, the Group recorded total revenue of approximately HK\$377.7 million from this major business segment, which decreased by about 11.7% compared to that of last year of HK\$427.6 million. The profit from this segment increased from HK\$0.4 million last year to approximately HK\$8.0 million this year. The decrease in turnover was due to the slowdown of the US and European markets. However, the prudent review and improvement of cost structure enhanced the overall segment result.

The Group's revenue from manufacture and distribution of hangtags, labels, shirt paper boards and plastic bags decreased by about 23.1% to approximately HK\$24.0 million for the year under review as compared to that of last year of HK\$31.2 million. The loss from this segment increased from HK\$2.2 million last year to HK\$2.9 million this year. It was mainly caused by the decrease in turnover and lower profit margin during the year within this segment.

04 CHAIRMAN'S STATEMENT

The Group's business in commercial printing was adversely affected by the reduction in turnover resulting from intensive competition, and rise in rental expenses. The revenue and profit from this segment for the year ended 31 March 2010 were approximately HK\$57.0 million and HK\$3.1 million, respectively as compared to approximately HK\$60.8 million and HK\$9.5 million, respectively of last year.

Due to the recovery of financial market, the performance of the Group's financial assets recorded a gain of approximately HK\$9.3 million during the year whereas the Group recorded a loss from financial assets of approximately HK\$17.5 million last year.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cashflow and banking facilities. The Group is financially sound with healthy cash position. Its cash and bank balances and short term bank deposits as at 31 March 2010 amounted to approximately HK\$194.4 million. Its gearing ratio as at 31 March 2010 was 5.6% (2009: 5.0%), based on the short term and long term interest bearing bank borrowings of approximately HK\$25.2 million (2009: HK\$21.8 million) and total equity of the Group of HK\$450.8 million (2009: HK\$437.0 million). The directors consider that the Group's cash holding, liquid assets, future revenue and available facilities will be sufficient to fulfill the present working capital requirements of the Group.

Exchange Rate Exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 March 2010, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and US dollars was relatively stable under the current peg system, and the hedging of revenue received, and costs incurred, by the Group in Renminbi.

Financial Guarantees and Charges on Assets

As at 31 March 2010, corporate guarantees amounting to approximately HK\$187.7 million (2009: HK\$162.7 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK\$14.9 million (2009: HK\$10.3 million).

PROSPECTS

Looking forward, it is expected that the operating environment in the printing industry will continue to be tough and difficult. Because of the slow economic recovery in the United States and potential crisis in European Union, the overseas demand for our products remains discouraging. In order to tackle the anticipated challenges and stay competitive, the Group will continue to implement stringent cost controls and management strategies. These include reducing fixed costs

for the manufacturing operations, effective management in purchases and inventories level and credit tightening on customers. However, it is foreseen that the consistent increase in costs of PRC labours and raw materials as well as additional investment for fulfillment of environmental protection requirements will limit the effect of cost control measures.

For the purpose of sustaining long term growth, the directors will also keep on exploring all potential opportunities to develop its business.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2010, the Group had a total workforce of approximately 1,400, of whom approximately 1,250 were based in the People's Republic of China and the remaining were in Hong Kong.

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

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

During the year, the Company repurchased 2,410,707 shares at the offer price of HK\$0.38 per share through the voluntary cash offer. The aggregate price paid by the Company for such repurchase is approximately HK\$0.92 million. The shares repurchased during the year were cancelled in October 2009.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2010.

APPRECIATION

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

By Order of the Board
Lui Shing Ming Brian
Chairman

Hong Kong, 18 June 2010

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

EXECUTIVE DIRECTORS

Mr. Lui Shing Ming, Brian, aged 50, is the Chairman of the Company responsible for the Group's overall corporate policy and strategy. He holds a Master Degree in Commerce from the University of New South Wales, Australia, and is a fellow member of the CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of Four Seas Food Investment Holdings Limited (Stock Code: 60), a company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He first joined the Group in 1986, left in 1989 and rejoined the Group in 1991.

Mr. Lui Shing Cheong, aged 56, is the Managing Director of the Company responsible for the management and development of the Group. Prior to joining the Group in June 1994, Mr. Lui had more than 18 years of experience in the electronic and the telecommunication industries and worked for an international telecommunications company as a product technology engineer for 12 years. Mr. Lui holds a Bachelor Degree in Electrical Engineering and a Bachelor Degree in Chemical Engineering from the University of Wisconsin, USA.

Mr. Lui Shing Chung, Victor, aged 47, has overall responsibility for the operational system of the Group. Prior to joining the Group in June 1993, he worked for an international telecommunications company for 6 years. Mr. Lui holds a Bachelor Degree in Electrical Engineering from the University of Wisconsin, USA.

Mr. Lui Shing Ming, Brian, Mr. Lui Shing Cheong and Mr. Lui Shing Chung, Victor are brothers.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Chun Kong, aged 58, is the Managing Director of Nature & Technologies (HK) Limited, which is engaged in the provision of environmental and energy management solution services. Dr. Lam has more than 30 years of experience in environmental and thermal power engineering work. He holds a Doctorate Degree of Philosophy from The University of Queensland, Australia and a Master Degree of Science from The University of Manchester, the United Kingdom. Dr. Lam is a fellow member of The Hong Kong Institution of Engineers and the Hong Kong Institute of Acoustics and a member of each of The Institution of Mechanical Engineers, the United Kingdom and The Institute of Acoustics Ltd., the United Kingdom. Dr. Lam was an independent non-executive director of the then Linfair Holdings Limited, later known as China Jin Hui Mining Corporation Limited and now called as Natural Diary (NZ) Holdings Limited (Stock Code: 462) until 8 April 2008. Dr. Lam joined the Group in 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Lo Wing Man, aged 56, is the Managing Director of Chun Ming Engineering Co., Ltd., which is licensed as a Registered Lift and Escalator Contractor. Mr. Lo holds a Bachelor of Science Degree from the University of Wisconsin, USA. He is also the Chairman of the board of directors of Chun Ming Elevators (China) Ltd., which runs an elevator services operation in Zhuhai, the PRC. Mr. Lo joined the Group in 2000.

Dr. Ng Lai Man, Carmen, aged 45, is a practising accountant in Hong Kong. She has over 20 years of experience in professional accounting and corporate finance in Hong Kong, China, U.S.A. and Europe. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Certified Chartered Accountants in the United Kingdom, and an associate member of the Institute of Chartered Accountants in England and Wales. She received her Doctor of Business Administration degree from The Hong Kong Polytechnic University, Master in Laws (Corporate and Finance Laws) degree from The University of Hong Kong, Master in Business Administration degree from The Chinese University of Hong Kong, and Master in Professional Accounting degree from The Hong Kong Polytechnic University. Dr. Ng is currently an independent non-executive director of Goldin Properties Holdings Limited (formerly known as Matsunichi Communication Holdings Limited) (Stock Code: 283) and eSun Holdings Limited (Stock Code: 571), the companies whose shares are listed on the Stock Exchange. Dr. Ng joined the Group in 2004.

SENIOR MANAGEMENT

Mr. Yuen Hung, aged 75, is the General Manager and a Director of Chun Ming Printing Factory Company Limited. He has more than 50 years of experience in the printing industry. He joined the Group in 1965.

Mr. Ng Wing Tim, aged 65, is a Senior Manager of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 30 years of experience in the plastic bag and printing business. He joined the Group in 1975.

Mr. Lui Kai Wa, aged 49, is the General Manager of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 17 years of experience in the printing and paper products industry. He joined the Group in September 1996.

Miss Ng Shuk Fong, Aman, aged 45, is the Administration and Personnel Manager of the Group. She holds a Bachelor of Social Sciences Degree and a Bachelor of Arts Degree from the University of Ottawa, Canada. She joined the Group in 1993. She is the spouse of Mr. Lui Shing Chung, Victor and a sister-in-law of Mr. Lui Shing Ming, Brian and Mr. Lui Shing Cheong.

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

SENIOR MANAGEMENT (Continued)

Mr. Ong King Keung, aged 34, is the Chief Financial Officer and Company Secretary of the Group. He holds a Master Degree in Corporate Finance from the City University of Hong Kong and a Bachelor Degree in Accountancy from The Hong Kong Polytechnic University, and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Ong joined the Group in April 2008.

Mr. Ng Wai Li, Adrian, aged 40, is the Financial Controller of the Group. He holds a Bachelor Degree of Accounting from the University of New South Wales in Australia, and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Ng joined the Group in July 2005.

Mr. Li Chun Sing, aged 53, is the Operation Director of Capital Financial Press Limited. Mr. Li has more than 19 years of experience in the financial printing industry. He holds an electrical engineering diploma and printing, publishing and typesetting diploma. Prior to joining the Group in 1998, he worked in one of the leading financial printing companies in Hong Kong for 8 years.

Mr. Yuen Wai Kin, Roger, aged 44, is the General Manager of Chun Ming Printing Factory Company Limited. He holds a Bachelor of Arts Degree from Carleton University, Canada, and joined the Group in 1993.

Mr. Lai Yan Yee, Alan, aged 49, is a Sales and Marketing Manager of the Group and Deputy General Manager of Cheong Ming Business Services (Shen Zhen) Co., Ltd.. He has more than 17 years of experience in the book printing and paper products industry. He joined the Group in 1998.

The Directors present their report and the audited financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

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

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2010 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 25 to 102.

An interim dividend of HK1 cent per share, amounting to an aggregate of approximately HK\$6,068,000 was paid in cash in January 2010.

The Directors recommend the payment of a final dividend of HK1 cent per share, amounting to approximately HK\$6,068,000 in respect of the year ended 31 March 2010 to all shareholders whose name appear on the register of members of the Company on 28 July 2010, which is expected to be paid on or about 10 August 2010.

SUMMARY FINANCIAL INFORMATION

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

The results for the three years ended 31 March 2006, 2007 and 2008 have not been adjusted for the adoption of new HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 April 2008.

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SUMMARY FINANCIAL INFORMATION (Continued)**Results**

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	458,680	519,638	648,730	574,882	554,343
Profit/(loss) from operations	19,890	(5,956)	51,832	33,812	47,970
Finance costs	(977)	(1,970)	(3,047)	(2,182)	(1,558)
Profit/(loss) before income tax	18,913	(7,926)	48,785	31,630	46,412
Income tax (expense)/credit	(3,201)	1,323	(6,687)	(4,730)	(6,347)
Profit/(loss) for the year	15,712	(6,603)	42,098	26,900	40,065
Attributable to:					
Equity holders of the Company	15,712	(6,603)	42,098	26,359	40,662
Minority interests	–	–	–	541	(597)
Profit/(loss) for the year	15,712	(6,603)	42,098	26,900	40,065

SUMMARY FINANCIAL INFORMATION (Continued)**Assets and Liabilities**

	As at 31 March				
	2010	2009	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	155,261	177,262	187,132	183,941	189,710
Investment properties	–	–	460	19,430	18,220
Prepaid lease payments	14,910	15,670	16,071	16,472	14,502
Deferred tax assets	9	2,385	–	–	–
Current assets	407,517	355,233	424,609	385,869	303,427
Total assets	577,697	550,550	628,272	605,712	525,859
Current liabilities	106,172	92,225	140,766	176,901	117,706
Interest-bearing borrowings	13,500	13,750	17,837	28,043	21,100
Deferred tax liabilities	7,268	7,597	7,961	4,599	4,171
Total liabilities	126,940	113,572	166,564	209,543	142,977
Net assets	450,757	436,978	461,708	396,169	382,882
Minority interests	–	–	–	4,467	1,203

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

Details of the movements in the property, plant and equipment and prepaid lease payments of the Group are set out in notes 14 and 15, respectively, to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

12 REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

RESERVES

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

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 March 2010 are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

- (1) The aggregate amount of turnover attributable to the Group's five largest customers represented 37% of the Group's total turnover. The amount of sales to the Group's largest customer represented 10% of the Group's total turnover.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 43% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 21% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

DIRECTORS

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

Executive directors:

Mr. Lui Shing Ming, Brian

Mr. Lui Shing Cheong

Mr. Lui Shing Chung, Victor

Independent non-executive directors:

Dr. Lam Chun Kong

Mr. Lo Wing Man

Dr. Ng Lai Man, Carmen

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

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

The Company has received annual confirmation of independence from Dr. Lam Chun Kong, Mr. Lo Wing Man and Dr. Ng Lai Man, Carmen pursuant to rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing rules") and as at the date of this report, still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

No director of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

14 REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2010, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of director	Number of shares held				Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	
Mr. Lui Shing Ming, Brian	5,468,750	-	318,895,286 (Note 1)	324,364,036	53.46%
Mr. Lui Shing Cheong	3,906,250	-	318,895,286 (Note 1)	322,801,536	53.20%
Mr. Lui Shing Chung, Victor	3,906,250	1,562,500 (Note 2)	318,895,286 (Note 1)	324,364,036	53.46%

Notes:

- These shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming Brian) of The Lui Unit Trust are held by Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited") as trustee of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming Brian, Lui Shing Cheong and Lui Shing Chung, Victor. Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong further own approximately as to 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.
- These shares are owned by the spouse of Mr. Lui Shing Chung, Victor. Mr Lui Shing Chung, Victor is deemed to be interested in all the shares held by his spouse under the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (Continued)

Save as disclosed above, as at 31 March 2010, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2010, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held	Percentage of issued capital
Mr. Lui Chi	Founder of a discretionary trust	318,895,286 (Note 1)	52.56%
Madam Ng Sze Mui	Founder of a discretionary trust	318,895,286 (Note 1)	52.56%
Madam Ng Shuk Fong, Aman	Beneficial owner and interest of spouse	324,364,036 (Note 2)	53.46%
Harmony Link Corporation	Beneficial owner	318,895,286	52.56%
The Lui Family Company Limited	Trustee	318,895,286 (Note 3)	52.56%
Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited")	Trustee	318,895,286 (Note 3)	52.56%

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INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARE AND UNDERLYING SHARES OF THE COMPANY (Continued)

Notes:

1. These shares are held by Harmony Link Corporation. Mr. Lui Chi and his spouse, Madam Ng Sze Mui, are founders of the discretionary trust mentioned in Note 1 to the section headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above.
2. Interests in these shares include interests in 1,562,500 shares held by Madam Ng Shuk Fong, Aman personally and interests in 322,801,536 shares held by her spouse, Mr. Lui Shing Chung, Victor as disclosed in the section headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above.
3. These shares are held by Harmony Link Corporation. Please refer to Note 1 to the section headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above.

Save as disclosed above, as at 31 March 2010, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

On 5 September 2002, the Company's share option scheme adopted on 27 December 1996 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. As at 31 March 2010, the outstanding options granted under the Old Scheme had either been exercised or lapsed and no options had been granted under the New Scheme.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 22.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company had maintained a sufficient public float of not less than 25% of the Company's total issued shares as required under the Listing Rules throughout the year under review.

AUDITORS

The Company's auditors, Grant Thornton, retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Lui Shing Ming Brian

Chairman

Hong Kong, 18 June 2010

18 CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. It met all the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 March 2010 except for the deviation from Code provision A.4.1 in that the non-executive directors were not appointed for a specific term. However, as the Bye-laws of the Company stipulate that one-third of the directors shall retire from office by rotation so that each director shall be subject to retirement at least once every three years, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 March 2010.

BOARD OF DIRECTORS

The Company is governed by a board of directors (the "Board") which has the responsibility for leadership and monitoring of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholder value.

The Board met 6 times during the year ended 31 March 2010. Its composition and the attendance of individual directors at these board meetings were follows:

Name	Number of meetings held during the year	Number of meetings attended
<i>Executive directors</i>		
Lui Shing Ming, Brian (<i>Chairman</i>)	6	6
Lui Shing Cheong (<i>Managing Director</i>)	6	6
Lui Shing Chung, Victor	6	6
<i>Independent non-executive directors</i>		
Lam Chun Kong	6	5
Lo Wing Man	6	5
Ng Lai Man, Carmen	6	5

Messrs. Lui Shing Ming, Brian, Lui Shing Cheong and Lui Shing Chung, Victor are brothers.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director of the Company are separated, with a clear division of responsibilities to assume a balance of authority and power.

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

The Managing Director is responsible for the day-to-day management of the Group's business, especially the Mainland China operation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group benefits from the experience and expertise of the independent non-executive directors of the Company. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory requirements. Each independent non-executive director of the Company gives an annual confirmation of the independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

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

REMUNERATION OF DIRECTORS

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

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

The Remuneration Committee met 2 times during the year. All members attended this meeting.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. During the year ended 31 March 2010, the Remuneration Committee has reviewed and determined the Group's remuneration policy, including the policy for the remuneration of executive directors, the levels of remuneration paid to executive directors and senior management of the Group.

20 CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment.

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

During the year, no new director had been appointed.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 March 2010, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditors' Report attached to the Company's Financial Statements for the year ended 31 March 2010.

Internal Controls

During the year, the Board has conducted regular review and evaluation of the ongoing effectiveness and adequacy of the Group's internal control system covering all controls, including financial, operational, compliance and risk management controls. In particular, the Board has considered the adequacy of resources, qualifications and experience of staff of the Company who are responsible for accounting and financial reporting function, and their training programmes and budget. The result has been reported to the Audit Committee. Appropriate measures and actions have been taken during the year ended 31 March 2010 on areas where rooms for improvement were identified.

AUDITORS' REMUNERATION

For the year ended 31 March 2010, fees paid/payable to the Company's external auditors for audit services totalled HK\$770,000, compared with HK\$933,000 in the previous year. For non-audit services, the fees amounted to HK\$110,000, compared with HK\$153,000 in the previous year. The significant non-audit service assignments covered by these fees include the following:

Services rendered	Fees paid/payable (HK\$'000)
– Review on 2010 interim results	90
– Review on announcement of 2010 annual results	20
	<hr/>
	110
	<hr/> <hr/>

AUDIT COMMITTEE

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

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures.

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

The Audit Committee met 2 times during the year, which were attended by all members.

22 CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the directors are available at annual general meetings to address shareholders' queries;
2. separate resolutions are proposed at general meetings on each substantially separate issue to facilitate the enforcement of shareholders' rights. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the 2010 annual general meeting of the Company will be voted by poll;
3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and
4. corporate website www.cheongming.com contains extensive information and updates on the Company's business.



Member of Grant Thornton International Ltd

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

We have audited the consolidated financial statements of Cheong Ming Investments Limited (the "Company") and its subsidiaries (together with the Company referred to as the "Group") set out on pages 25 to 102, which comprise the consolidated and company statement of financial position as at 31 March 2010, and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

24 INDEPENDENT AUDITORS' REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton

Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

18 June 2010

CONSOLIDATED INCOME STATEMENT

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For the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Revenue	6	458,680	519,638
Cost of sales		(331,223)	(390,209)
Gross profit		127,457	129,429
Other operating income	7	14,121	8,116
Selling and distribution costs		(13,763)	(22,174)
Administrative expenses		(90,698)	(99,799)
Other operating expenses		(17,227)	(21,528)
Profit/(Loss) from operations	8	19,890	(5,956)
Finance costs	9	(977)	(1,970)
Profit/(Loss) before income tax		18,913	(7,926)
Income tax (expense)/credit	10	(3,201)	1,323
Profit/(Loss) for the year attributable to the equity holders of the Company	11	15,712	(6,603)
Earnings/(Loss) per share for profit/(loss) for the year attributable to the equity holders of the Company	13		
– Basic		HK2.58 cents	HK(1.08) cents

Details of dividends attributable to the equity holders of the Company for the year are set out in note 12.

26 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Profit/(Loss) for the year	15,712	(6,603)
Other comprehensive income:		
Exchange loss on translation of financial statements of foreign operations	(264)	(953)
Revaluation surplus on leasehold land and buildings	7,683	1,343
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	(1,387)	(242)
Other comprehensive income for the year, net of tax	6,032	148
Total comprehensive income/(loss) attributable to the equity holders of the Company	21,744	(6,455)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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As at 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	155,261	177,262
Prepaid lease payments	15	14,910	15,670
Deferred tax assets	28	9	2,385
		170,180	195,317
Current assets			
Inventories	18	45,891	42,953
Trade receivables	19	84,553	84,541
Prepayments, deposits and other receivables	20	8,992	12,530
Financial assets at fair value through profit or loss	21	66,222	32,636
Cash and cash equivalents	22	194,421	181,934
Tax receivable		673	639
		400,752	355,233
Non-current assets held for sale	17	6,765	–
		407,517	355,233
Current liabilities			
Trade payables	23	53,565	50,460
Accrued liabilities and other payables		32,229	26,239
Interest-bearing borrowings	24	11,700	8,000
Tax payable		8,678	7,526
		106,172	92,225
Net current assets		301,345	263,008
Total assets less current liabilities		471,525	458,325
Non-current liabilities			
Interest-bearing borrowings	24	13,500	13,750
Deferred tax liabilities	28	7,268	7,597
		20,768	21,347
Net assets		450,757	436,978

28 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	25	60,675	60,916
Reserves	27	384,014	376,062
Proposed dividend	12	6,068	–
Total equity		450,757	436,978

LUI SHING MING, BRIAN
Director

LUI SHING CHUNG, VICTOR
Director

STATEMENT OF FINANCIAL POSITION

29

As at 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	16	116,995	116,995
Current assets			
Amounts due from subsidiaries	16	166,496	174,909
Prepayments, deposits and other receivables	20	202	172
Cash and cash equivalents	22	1,338	567
Tax receivable		–	421
		168,036	176,069
Current liabilities			
Amounts due to subsidiaries	16	2,250	2,307
Accrued liabilities and other payables		2,224	1,518
		4,474	3,825
Net current assets		163,562	172,244
Net assets		280,557	289,239
EQUITY			
Share capital	25	60,675	60,916
Reserves	27	213,814	228,323
Proposed dividend	12	6,068	–
Total equity		280,557	289,239

LUI SHING MING, BRIAN
Director

LUI SHING CHUNG, VICTOR
Director

30 CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Cash flows from operating activities		
Profit/(Loss) before income tax	18,913	(7,926)
Adjustments for:		
Finance cost	977	1,970
Interest income	(2,435)	(3,784)
Dividend income from financial assets at fair value through profit or loss	(80)	(326)
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	(6,606)	5,224
Loss on disposal of property, plant and equipment	1,718	587
Loss on disposal of properties held for sale	-	53
Fair value (gain)/loss on financial assets at fair value through profit or loss	(2,727)	12,310
Provision for slow moving inventories	1,427	-
Depreciation of property, plant and equipment	14,699	20,962
Amortisation of prepaid lease payments for land	388	401
Deficit on revaluation of leasehold land and buildings	3,403	-
Write off on property, plant and equipment	9,626	-
Allowance for impairment on trade receivables	857	581
Allowance for impairment on other receivables	-	2,648
Bad debts expenses	196	118
Operating profit before working capital changes	40,356	32,818
(Increase)/Decrease in inventories	(4,365)	22,462
(Increase)/Decrease in trade receivables	(1,065)	23,993
Decrease in prepayments, deposits and other receivables	3,538	10
(Increase)/Decrease in financial assets at fair value through profit or loss	(24,253)	43,805
Increase/(Decrease) in trade payables	3,105	(27,847)
Increase/(Decrease) in accrued liabilities and other payables	5,964	(2,705)
Cash generated from operations	23,280	92,536
Interest received	2,435	3,784
Interest paid	(977)	(1,970)
Dividend received from financial assets at fair value through profit or loss	80	326
Net income tax paid	(1,423)	(4,609)
Net cash generated from operating activities	23,395	90,067

CONSOLIDATED STATEMENT OF CASH FLOWS

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For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(6,617)	(10,532)
Increase in time deposits with original maturity of more than three months		(14,342)	(15,658)
Proceeds from disposal of property, plant and equipment		462	656
Proceeds from disposal of properties held for sale		–	24,579
Net cash used in investing activities		(20,497)	(955)
Cash flows from financing activities			
Dividends paid		(6,042)	(18,275)
Repayment of bank loans		(48,550)	(35,478)
Borrowing of bank loans		52,000	16,250
Shares repurchase expenses		(981)	–
Payment for shares repurchase		(916)	–
Net cash used in financing activities		(4,489)	(37,503)
Net (decrease)/increase in cash and cash equivalents		(1,591)	51,609
Cash and cash equivalents at beginning of year		166,276	115,620
Effect of foreign exchange rate changes		(264)	(953)
Cash and cash equivalents at end of year	22	164,421	166,276

32 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Equity attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	
	At 1 April 2008	60,916	95,795	34,080	30,894	9,900	(780)	218,720	
Final 2008 dividend paid	-	-	-	-	-	-	-	(12,183)	(12,183)
Interim 2009 dividend paid	-	-	-	-	-	-	(6,092)	-	(6,092)
Transactions with owners	-	-	-	-	-	-	(6,092)	(12,183)	(18,275)
Loss for the year	-	-	-	-	-	-	(6,603)	-	(6,603)
Other comprehensive income									
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(953)	-	-	(953)
Revaluation surplus on leasehold land and buildings	-	-	-	1,343	-	-	-	-	1,343
Reserve realised upon disposal of land and buildings	-	-	-	(136)	-	-	136	-	-
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	-	-	-	(343)	-	-	101	-	(242)
Total comprehensive loss for the year	-	-	-	864	-	(953)	(6,366)	-	(6,455)
At 31 March 2009	60,916	95,795	34,080	31,758	9,900	(1,733)	206,262	-	436,978

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

33

For the year ended 31 March 2010

	Equity attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	
At 1 April 2009	60,916	95,795	34,080	31,758	9,900	(1,733)	206,262	-	436,978
Share repurchase	(241)	(675)	-	-	-	-	-	-	(916)
Share repurchase expenses	-	-	-	-	-	-	(981)	-	(981)
Transfer to dividend payable	-	-	-	-	-	-	(26)	-	(26)
Interim 2010 dividend paid	-	-	-	-	-	-	(6,042)	-	(6,042)
Transactions with owners	(241)	(675)	-	-	-	-	(7,049)	-	(7,965)
Profit for the year	-	-	-	-	-	-	15,712	-	15,712
Other comprehensive income									
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(264)	-	-	(264)
Revaluation surplus on leasehold land and buildings	-	-	-	7,683	-	-	-	-	7,683
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	-	-	-	(1,387)	-	-	-	-	(1,387)
Total comprehensive income for the year	-	-	-	6,296	-	(264)	15,712	-	21,744
Proposed 2010 final dividend	-	-	-	-	-	-	(6,068)	6,068	-
At 31 March 2010	60,675	95,120	34,080	38,054	9,900	(1,997)	208,857	6,068	450,757

34 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 4/F, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, N.T., Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Its subsidiaries (together with the Company referred to as the "Group") are principally engaged in the following activities:

- manufacture and sale of paper cartons, packaging boxes and children's novelty books
- manufacture and sale of hangtags, labels and shirt paper boards and plastic bags
- commercial printing

Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements.

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

The financial statements for the year ended 31 March 2010 were approved by the board of directors on 18 June 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 25 to 102 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see 2.3 below) made up to 31 March each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

36 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Property, plant and equipment

Buildings, land held under operating leases and buildings thereon (where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.4 Property, plant and equipment (Continued)**

Any surplus arising on revaluation of these land and buildings is recognised in other comprehensive income and is accumulated in the asset revaluation reserve, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the asset revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

All other plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost or valuation of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Medium term leasehold land in Hong Kong	Over the lease terms
Medium term leasehold buildings in Hong Kong	Over the lease terms
Medium term leasehold buildings outside Hong Kong	Over the lease terms
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Leasehold improvements	20%
Motor vehicles	25%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

38 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

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

2.5 Leases

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

(a) *Classification of assets leased to the Group*

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

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 2.4). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(b) *Assets acquired under finance leases*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Leases (Continued)

(b) *Assets acquired under finance leases (Continued)*

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

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(c) *Operating lease charges as the lessee*

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

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

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

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For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets

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

The Group's financial assets mainly include cash and cash equivalents, trade receivables, deposits, other receivables, and financial assets at fair value through profit or loss. Trade receivables, deposits and other receivables are categorised as loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.15 to these financial statements.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

42 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of manufacturing overheads.

2.8 Impairment of non-financial assets

Property, plant and equipment, prepaid lease payments and the Company's interests in subsidiaries are subject to impairment test. These assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

44 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets (Continued)

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

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Cash and cash equivalents

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

2.10 Financial liabilities

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial liabilities (Continued)

(a) Borrowings

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

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

(b) Trade payables, accrued liabilities and other payables

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

2.11 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

46 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Accounting for income taxes (Continued)

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

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

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

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Retirement benefit costs and short term employee benefits

(a) Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Hong Kong Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme, except for the Group's employer voluntary contributions with a vesting period of five years, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Hong Kong Scheme.

Pursuant to the relevant regulations of the government of the People's Republic of China except Hong Kong (the "PRC"), the subsidiaries of the Company operating in the PRC participates in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the subsidiaries are required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to the profit or loss as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

(b) Short term employee benefits

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

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For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(b) Short term employee benefits (Continued)

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

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

2.13 Share capital

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

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.14 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are determined at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are classified from equity to profit or loss as part of the gain or loss on sale.

2.15 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity attributable to equity holders of the Company of the statement of financial position, until they have been approved by the equity holders of the Company in a general meeting. When these dividends have been approved by the equity holders of the Company and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's Bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.16 Recognition of revenue

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

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

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For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Recognition of revenue (Continued)

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is an evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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

2.17 Financial guarantees issued

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major business lines.

The Group has identified the following reportable segments:

- (a) the manufacture and sale of cartons, packaging boxes and children's novelty books segment produces paper cartons, packaging boxes and children's novelty books for sale principally to manufacturers and publishers of consumer products;
- (b) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags segment produces hangtags, labels, shirt paper boards and plastic bags products for sale principally to manufacturers of consumer products; and
- (c) commercial printing segment provides financial printing, digital printing and other related services.

Each of these operating segments is managed separately as each of the business lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

The directors consider the adoption of HKFRS 8 has not changed the identified operating segments for the Group compared to 2009 financial statements.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (expenses relating to finance costs, income tax and corporate income and expenses).

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For the year ended 31 March 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Segment reporting (Continued)

Segment assets include all assets with the exception of corporate assets, including financial assets at fair value through profit or loss, bank balances and cash, tax receivable and deferred tax assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. Segment liabilities comprise trade payables, accrued liabilities and other payables.

No asymmetrical allocations have been applied to reportable segments.

2.19 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Related parties (Continued)

- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2.20 Provision and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

54 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. ADOPTION OF NEW OR AMENDED HKFRSs**Adoption of new or amended HKFRSs effective on or after 1 April 2009**

In the current year, the Group has applied, for the first time, the following new HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 April 2008 and accordingly the third statement of financial position as at 1 April 2008 is not presented.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

Adoption of new or amended HKFRSs effective on or after 1 April 2009 (Continued)

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, (i.e. a reduction of the cost of investment), if any. Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

HKFRS 7 (Amendment) Improving disclosures about financial instruments

The amendment requires additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

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For the year ended 31 March 2010

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. The directors are currently assessing the impact of other new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

Annual improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment.

The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) *Estimate fair value of leasehold land and buildings*

The Group's leasehold land and buildings were stated at fair value in accordance with the accounting policies stated in note 2.4 to the financial statements. The fair value of the leasehold land and buildings are determined by an independent firm of professional valuers, LCH (Asia-Pacific) Surveyors Limited ("LCH"), and the fair value of the leasehold land and buildings are set out in note 14 to the financial statements. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

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For the year ended 31 March 2010

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(a) *Estimate fair value of leasehold land and buildings (Continued)*

In making the judgement, reasonable consideration has been given to the underlying assumptions. For leasehold land and buildings in Hong Kong, estimates are mainly based on market conditions existing at the reporting date. For leasehold land and buildings outside Hong Kong, estimates are made on the basis of depreciated replacement cost. These estimates are regularly compared to actual market data and actual transactions in the market.

(b) *Allowance for impairment of receivables*

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

4.2 Critical judgements in applying the entity's accounting policies

Finance lease and operating lease

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

5. SEGMENT INFORMATION

5.1 Business operating segments

The executive directors have identified the Group's three product and service lines as operating segments as further described in note 2.18.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. Details of the Group's segment information and reconciliations of the totals of the Group's operating segments to the Group's key financial figures as presented in the financial statements are stated in the following tables.

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Eliminations		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Reportable segment revenue:										
Sales to external customers	377,680	427,569	24,041	31,226	56,959	60,843	-	-	458,680	519,638
Intersegment sales	9,400	10,908	417	209	413	301	(10,230)	(11,418)	-	-
Total	387,080	438,477	24,458	31,435	57,372	61,144	(10,230)	(11,418)	458,680	519,638
Reportable segment results	7,955	444	(2,948)	(2,198)	3,115	9,548	-	-	8,122	7,794
Unallocated income/(expenses):										
Interest income									2,435	3,784
Fair value gain/(loss) on financial assets at fair value through profit or loss									9,333	(17,534)
Profit/(Loss) from operations									19,890	(5,956)
Finance costs									(977)	(1,970)
Profit/(Loss) before income tax									18,913	(7,926)
Income tax (expense)/credit									(3,201)	1,323
Profit/(Loss) for the year									15,712	(6,603)

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For the year ended 31 March 2010

5. SEGMENT INFORMATION (Continued)

5.1 Business operating segments (Continued)

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Reportable segment assets	279,790	297,701	7,935	8,095	28,647	27,160	316,372	332,956
Unallocated assets:								
Financial assets at fair value through profit or loss							66,222	32,636
Others							195,103	184,958
Total assets							577,697	550,550
Reportable segment liabilities	51,149	62,004	3,504	3,587	31,141	11,108	85,794	76,699
Unallocated liabilities							41,146	36,873
Total liabilities							126,940	113,572
Other segment information:								
Depreciation on property, plant and equipment	12,289	18,040	790	1,771	1,620	1,151	14,699	20,962
Amortisation of prepaid lease payments	260	307	-	-	128	94	388	401
Loss on disposal of property, plant and equipment	225	652	1,493	89	-	7	1,718	748
Revaluation deficit on leasehold land and buildings	3,403	-	-	-	-	-	3,403	-
Write off of property, plant and equipment	9,626	450	-	-	-	-	9,626	450
Provision for slow moving inventories	1,427	-	-	-	-	-	1,427	-
Allowance for impairment on trade receivables	857	581	-	-	-	-	857	581
Allowance for impairment on other receivables	-	-	-	2,648	-	-	-	2,648
Bad debt expenses	196	118	-	-	-	-	196	118
Capital expenditure	5,500	5,987	1,060	1,056	57	3,489	6,617	10,532

5. SEGMENT INFORMATION (Continued)

5.2 Geographical information

The Group's revenues from, external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas.

	Hong Kong		Elsewhere in the PRC		United Kingdom		Europe and other countries, excluding United Kingdom		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue:										
Sales to external customers	379,832	386,972	15,947	33,916	42,898	72,756	20,003	25,994	458,680	519,638
Non-current assets	28,299	36,212	141,872	156,720	-	-	-	-	170,171	192,932

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset.

During 2010, HK\$47,620,000 or 10% of the Group's revenues depended on a single customer in the manufacture and sale of paper cartons, packaging boxes and children's novelty books segment. There was no dependence of the Group's revenues on a single customer in last year.

6. REVENUE

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

	2010 HK\$'000	2009 HK\$'000
Sales of goods	401,721	458,795
Rendering of services	56,959	60,843
	458,680	519,638

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For the year ended 31 March 2010

7. OTHER OPERATING INCOME

	2010 HK\$'000	2009 HK\$'000
Gross rental income from investment properties	–	1,173
Interest income	2,435	3,784
Dividend income from financial assets at fair value through profit or loss	80	326
Gain on disposal of financial assets at fair value through profit or loss	6,606	–
Fair value gain on financial assets at fair value through profit or loss	2,727	–
Net exchange gain	1,137	–
Sundry income	1,136	2,833
	14,121	8,116

8. PROFIT/(LOSS) FROM OPERATIONS

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

	2010 HK\$'000	2009 HK\$'000
Amortisation of prepaid lease payments*	388	401
Auditors' remuneration	880	1,086
Cost of inventories sold	312,939	371,689
Cost of services rendered	18,284	18,520
Depreciation of property, plant and equipment**	14,699	20,962
Exchange (gain)/loss, net	(1,137)	4,410
Loss on disposal of property, plant and equipment##	1,718	587
Loss on disposal of properties held for sale##	-	53
Provision for slow moving inventories##	1,427	-
Fair value (gain)/loss on financial assets at fair value through profit or loss##	(2,727)	12,310
(Gain)/Loss on disposal of financial assets at fair value through profit or loss##	(6,606)	5,224
Operating lease charges on land and buildings***	10,174	11,857
Bad debt expenses##	196	118
Allowance for impairment##		
- trade receivables	857	581
- other receivables	-	2,648
Write off of property, plant and equipment### (note 14)	9,626	-
Revaluation deficit on leasehold land and buildings##	3,403	-
Staff costs (excluding directors' remuneration)		
Wages and salaries****	77,934	100,027
Provision for long service payment#	649	1,535
Net pension scheme contributions*****	6,054	3,187
Rental income from investment properties, net of outgoings	-	(605)

* Amortisation of prepaid lease payments of HK\$108,000 (2009: HK\$121,000) has been expensed in cost of sales and HK\$280,000 (2009: HK\$280,000) in administrative expenses.

** Depreciation on property, plant and equipment of HK\$10,210,000 (2009: HK\$16,314,000) has been expensed in cost of sales and HK\$4,489,000 (2009: HK\$4,648,000) in administrative expenses.

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For the year ended 31 March 2010

8. PROFIT/(LOSS) FROM OPERATIONS (Continued)

- *** Operating lease charges on land and buildings of HK\$788,000 (2009: HK\$1,854,000) has been expensed in cost of sales and HK\$9,386,000 (2009: HK\$10,003,000) in administrative expenses.
- **** Wages and salaries of HK\$35,177,000 (2009: HK\$52,237,000) has been expensed in cost of sales and HK\$42,757,000 (2009: HK\$47,790,000) in administrative expenses.
- ***** Net pension scheme contributions of HK\$398,000 (2009: HK\$906,000) has been expensed in cost of sales and HK\$5,656,000 (2009: HK\$2,281,000) in administrative expenses.
- # Provision for long service payment of HK\$Nil (2009: HK\$288,000) has been expensed in cost of sales and HK\$649,000 (2009: HK\$1,247,000) in administrative expenses.
- ## Included in other operating (income)/expenses.

9. FINANCE COSTS

	Group	
	2010 HK\$'000	2009 HK\$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	977	1,650
Interest on bank loans not wholly repayable within five years	–	320
	977	1,970

10. INCOME TAX EXPENSE/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2009: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Deferred tax is accounted for using the balance sheet liabilities method at a rate of 16.5% (2009: 16.5%) in Hong Kong or the tax rates prevailing in the countries in which the Group operates.

	Group	
	2010	2009
	HK\$'000	HK\$'000
Current tax – Hong Kong		
Tax expense for the year	2,928	2,652
Over provision in respect of prior years	(625)	(544)
	2,303	2,108
Current tax – overseas		
Tax expense/(credit) for the year	105	(333)
Under/(Over) provision in respect of prior years	133	(107)
	238	(440)
Deferred tax		
Tax expense/(credit) for the year (note 28)	660	(2,991)
Income tax expense/(credit)	3,201	(1,323)

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For the year ended 31 March 2010

10. INCOME TAX EXPENSE/CREDIT (Continued)

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Profit/(Loss) before income tax	18,913	(7,926)
Tax on profit/(loss) before income tax, calculated at the rates applicable to profit/(loss) in the tax jurisdiction concerned	3,823	(1,455)
Tax effect on non-deductible expenses	1,588	5,712
Tax effect on non-taxable revenue	(899)	(5,341)
Tax effect of utilisation of tax losses not previously recognised	(51)	(127)
Tax effect on tax loss not recognised	850	883
Tax effect on temporary differences not recognised	(1,618)	(367)
Over provision in prior years	(492)	(651)
Others	-	23
Income tax expense/(credit)	3,201	(1,323)

11. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated profit for the year attributable to the owners of the Company of HK\$15,712,000 (2009: consolidated loss of HK\$6,603,000), a loss of HK\$717,000 (2009: a profit of HK\$13,564,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS**(a) Dividends attributable to the year**

	2010 HK\$'000	2009 HK\$'000
Interim dividend of HK1 cent (2009: HK1 cent) per ordinary share	6,068	6,092
Proposed final dividend of HK1 cent (2009: Nil) per ordinary share	6,068	–
	12,136	6,092

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date but reflected as an appropriation of retained earnings for the year ended 31 March 2010.

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

	2010 HK\$'000	2009 HK\$'000
Final dividend of HK2 cents per ordinary share for 2008 paid during the year	–	12,183

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share (2009: basic loss per share) is based on the profit attributable to the owners of the Company of HK\$15,712,000 (2009: consolidated loss of HK\$6,603,000) and on the weighted average number of ordinary shares of 608,093,868 (2009: 609,163,826) in issue during the year.

No diluted earnings per share has been presented as there had been no dilutive potential shares in both years of 2010 and 2009.

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For the year ended 31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2008							
Cost or valuation	114,248	250,047	30,293	15,198	1,458	8,690	419,934
Accumulated depreciation	-	(189,560)	(26,557)	(9,589)	(76)	(7,020)	(232,802)
Net carrying amount	114,248	60,487	3,736	5,609	1,382	1,670	187,132
Year ended 31 March 2009							
Opening net carrying amount	114,248	60,487	3,736	5,609	1,382	1,670	187,132
Additions	-	5,077	1,455	951	2,424	625	10,532
Transfer from investment properties	460	-	-	-	-	-	460
Disposals and write-off, net	-	(790)	(451)	(1)	-	(1)	(1,243)
Revaluation surplus	1,343	-	-	-	-	-	1,343
Depreciation	(3,360)	(13,223)	(1,371)	(1,392)	(619)	(997)	(20,962)
Closing net carrying amount	112,691	51,551	3,369	5,167	3,187	1,297	177,262
At 31 March 2009 and 1 April 2009							
Cost or valuation	112,691	253,005	28,392	15,070	3,882	8,124	421,164
Accumulated depreciation	-	(201,454)	(25,023)	(9,903)	(695)	(6,827)	(243,902)
Net carrying amount	112,691	51,551	3,369	5,167	3,187	1,297	177,262
Year ended 31 March 2010							
Opening net carrying amount	112,691	51,551	3,369	5,167	3,187	1,297	177,262
Additions	-	5,412	722	242	49	192	6,617
Transfer to non-current assets held for sale	(6,393)	-	-	-	-	-	(6,393)
Disposals and write-off, net	-	(11,806)	-	-	-	-	(11,806)
Net revaluation surplus	4,280	-	-	-	-	-	4,280
Depreciation	(3,161)	(7,324)	(1,250)	(1,271)	(994)	(699)	(14,699)
Closing net carrying amount	107,417	37,833	2,841	4,138	2,242	790	155,261
At 31 March 2010							
Cost or valuation	107,417	110,669	29,114	15,312	3,931	8,187	274,630
Accumulated depreciation	-	(72,836)	(26,273)	(11,174)	(1,689)	(7,397)	(119,369)
Net carrying amount	107,417	37,833	2,841	4,138	2,242	790	155,261

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 March 2010, the Group's leasehold land and buildings in Hong Kong were carried at their valuations as at 31 March 2010 which was performed by LCH, an independent firm of professional valuers, on the basis of market value, at HK\$17,594,000. The valuation was arrived at using sales comparison approach on the assumption that the Group sells the property on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value. The revaluation surplus of HK\$5,000,000 was credited to other comprehensive income.

At 31 March 2010, the Group's leasehold land and buildings outside Hong Kong were carried at their valuations as at 31 March 2010 which was performed by LCH, on the basis of depreciated replacement cost, at HK\$89,823,000, on the assumption that the Group has free and uninterrupted rights to use the property interests for the whole of the unexpired terms as granted and any premiums payable have already been paid in full. The resulting revaluation surplus amounting to HK\$2,683,000 was credited to other comprehensive income, and a revaluation deficit of HK\$3,403,000 is recognised in the profit or loss after offset against previous revaluation surplus recognised in the asset revaluation reserve.

Had the Group's leasehold land and buildings in Hong Kong been valued at cost less accumulated depreciation and impairment losses, their carrying amounts would have been HK\$11,222,000 (2009: HK\$11,804,000).

Had the Group's leasehold land and buildings outside Hong Kong been valued at cost less accumulated depreciation and impairment losses, their carrying amounts would have been HK\$24,408,000 (2009: HK\$26,436,000).

At 31 March 2010, certain of the Group's leasehold land and buildings amounting to HK\$14,850,000 (2009: HK\$10,260,000) were pledged to secure the bank borrowings and general banking facilities granted to the Group as further detailed in notes 24 and 30 to the financial statements respectively.

Non-separable leasehold land and buildings were carried at their valuations at HK\$15,360,000 (2009: HK\$10,685,000) are held on medium term leases between 10 to 50 years.

As part of the continuous exercise to enhance the production efficiency and cost control effectiveness, the Group has been centralising its production capacity. In relation to this exercise, the management has conducted an impairment review on the Group's property, plant and equipment. Certain property, plant and equipment were considered as obsolete after the review and were charged to the profit or loss under other operating expenses (note 8).

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For the year ended 31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of the cost or valuation at 31 March 2010 of the above assets is as follows:

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	-	110,669	29,114	15,312	3,931	8,187	167,213
At valuation	107,417	-	-	-	-	-	107,417
	107,417	110,669	29,114	15,312	3,931	8,187	274,630

The analysis of the cost or valuation at 31 March 2009 of the above assets is as follows:

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	-	253,005	28,392	15,070	3,882	8,124	308,473
At valuation	112,691	-	-	-	-	-	112,691
	112,691	253,005	28,392	15,070	3,882	8,124	421,164

15. PREPAID LEASE PAYMENTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Opening net carrying amount	15,670	16,071
Transfer to properties held for sale	(372)	–
Amortisation	(388)	(401)
Closing net carrying amount	14,910	15,670

	Group	
	2010	2009
	HK\$'000	HK\$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	861	883
Outside Hong Kong held on:		
Leases of between 10 to 50 years	14,049	14,787
	14,910	15,670

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK\$'000	HK\$'000
Unlisted shares, at cost	116,995	116,995

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For the year ended 31 March 2010

16. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Principal activities	Place of operations
			Direct	Indirect		
Cheong Ming (B.V.I.) Enterprises Limited	British Virgin Islands	HK\$10,000 Ordinary shares	100%	–	Investment holding	Hong Kong
Capital Asset Management Limited	Hong Kong	HK\$2 Ordinary shares	–	100%	Property and investment holding	Hong Kong
Cheong Ming Press Factory Limited ("CMP")	Hong Kong	HK\$1,000 Ordinary shares HK\$1,000,000 Non-voting deferred shares*	–	100%	Manufacture and sale of paper cartons, children's novelty books and commercial printing	Hong Kong
Chun Ming Printing Factory Company Limited	Hong Kong	HK\$150,000 Ordinary shares	–	100%	Manufacture and sale of hangtags, labels and shirt paper boards	Hong Kong and PRC
Cheong Ming Paper, Poly Press & Printing Factory Limited	Hong Kong	HK\$1,000 Ordinary shares HK\$1,000,000 Non-voting deferred shares*	–	100%	Sub-contracting of the manufacture of paper cartons	PRC
Dongguan Cheong Ming Printing Co., Ltd. ("DGCM")	PRC**	Registered capital of HK\$111,468,000	–	100%	Manufacture and sale of paper cartons and plastic bags	PRC
Capital Financial Press Limited	Hong Kong	HK\$800,000 Ordinary shares	–	100%	Commercial printing	Hong Kong
Capital Translation Services Limited	Hong Kong	HK\$500,000 Ordinary shares	–	100%	Provision of translation services	Hong Kong
Qualiti Printing And Sourcing Limited	Hong Kong	HK\$3,750,000 Ordinary shares	–	100%	Trading of hangtags, labels and shirt paper boards	Hong Kong
Harvest King Limited	Hong Kong	HK\$2 Ordinary shares	–	100%	Investment holding	Hong Kong

16. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Principal activities	Place of operations
			Direct	Indirect		
資浚商務服務(深圳)有限公司	PRC**	Registered capital of HK\$36,000,000	-	100%	Provision of business services	PRC
深圳市大昌明包裝有限公司	PRC***	Registered capital of RMB3,000,000	-	100%	Sales of paper cartons and plastic bags	PRC
上海晶明服裝輔料發展有限公司	PRC**	Registered capital of RMB2,000,000	-	100%	Manufacture and sale of garment supplementary	PRC
東莞振明服裝輔料有限公司	PRC***	Registered capital of RMB500,000	-	100%	Manufacture and sale of garment supplementary	PRC

* The non-voting deferred shares carry no rights to dividends unless the profit available for distribution for the financial year exceeds HK\$100,000,000,000,000, no rights to attend or vote at general meetings except at a general meeting convened for any resolution which directly affects the rights or privileges of the non-voting deferred shares, and no rights to receive any surplus in a return of capital in a winding-up (other than the amount paid up on those shares, provided that the holders of the ordinary shares of that company have received, by way of a distribution in such winding-up, a sum of HK\$500,000,000,000,000).

** The subsidiaries are registered as a wholly-foreign owned enterprise under PRC law.

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

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

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

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17. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2010 HK\$'000	2009 HK\$'000
Transfer from property, plant and equipment and prepaid lease payments	6,765	–

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in its present condition.

Impairment losses on non-current assets held for sale are recognised in the profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

On 4 November 2009, the Group entered into a sale and purchase agreement (the "Agreement") for the disposal of the property held for sale with an independent third party to the Group. Pursuant to the Agreement, the Group agreed to dispose of the industrial land and buildings in Third Industrial Zone, Wangmu Village, Dapany Town, Shenzhen, PRC with a carrying amount of HK\$6,765,000 for a total consideration of HK\$9,881,000. The property was classified as non-current assets held for sale and was stated at the lower of its carrying amount and fair value less costs to sell.

18. INVENTORIES

	Group	
	2010 HK\$'000	2009 HK\$'000
Raw materials	33,584	30,388
Work in progress	4,689	4,944
Finished goods	7,618	7,621
	45,891	42,953

19. TRADE RECEIVABLES

	Group	
	2010 HK\$'000	2009 HK\$'000
Trade receivables	87,213	90,004
Less: provision for impairment of receivables	(2,660)	(5,463)
Trade receivables – net	84,553	84,541

Trade receivables generally have credit terms of 30 to 90 days. The directors of the Group consider that the fair values of trade which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

19. TRADE RECEIVABLES (Continued)

At 31 March 2010, the aging analysis of the trade receivables, based on invoiced date and net of allowance, is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Current to 30 days	41,125	34,943
31 to 60 days	17,010	16,065
61 to 90 days	16,244	13,488
Over 90 days	10,174	20,045
	84,553	84,541

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

	Group	
	2010 HK\$'000	2009 HK\$'000
British Pounds	–	1,430
Euro	–	1,258
Australian dollars	–	2,302
Renminbi (“RMB”)	3,020	–
US dollars (“US\$”)	19,972	27,027

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

	2010 HK\$'000	2009 HK\$'000
Carrying amount at 1 April	5,463	4,956
Allowance for impairment loss of prior year written off against trade receivables	(3,660)	(74)
Allowance for impairment loss charged to the profit or loss (included in other operating expenses)	857	581
Carrying amount at 31 March	2,660	5,463

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19. TRADE RECEIVABLES (Continued)

At each of the reporting date, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The impaired receivables are recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. Consequently, specific impairment allowance was recognised. The Group does not hold any collateral over these balances.

As at 31 March 2010, the Group's trade receivables of HK\$2,660,000 (2009: HK\$5,463,000) were fully made for allowance for impairment. The impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered.

The aging analysis of trade receivables by past due date that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Not past due	61,356	57,071
Unimpaired but past due		
Not more than 30 days	13,902	16,061
31 – 60 days	2,543	2,740
61 – 90 days	3,144	1,945
Over 90 days	3,608	6,724
	84,553	84,541

As at 31 March 2010, trade receivables of HK\$61,356,000 (2009: HK\$57,071,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that the Group had continuing business relationships with these customers including sales to and settlements from these customers in general, which in the opinion of the directors have no indication of default. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Prepayments	2,147	2,243	202	170
Deposits	3,687	4,870	–	2
Other receivables	6,616	8,875	–	–
Less: Allowance for impairment of receivables	12,450 (3,458)	15,988 (3,458)	202 –	172 –
	8,992	12,530	202	172

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The movement in the provision for impairment of other receivables is as follows:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Carrying amount at 1 April	3,458	810	–	–
Allowance for impairment (including in other operating expenses)	–	2,648	–	–
Carrying amount at 31 March	3,458	3,458	–	–

At each of the reporting dates, the Group's other receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain other receivables and appropriate allowance for impairment has been made against these other receivables. The individually impaired receivables are recognised based on the credit history of these debtors, such as financial difficulties or default in payments, and current market conditions. Consequently, specific allowance for impairment was recognised. The Group does not hold any collateral over these balances. Except for the amount impaired, none of the above assets is either past due or impaired.

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21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010 HK\$'000	2009 HK\$'000
Hong Kong unlisted linked notes	10,145	7,276
Hong Kong unlisted debt investments	–	4,419
Hong Kong unlisted currency notes	4,800	–
Hong Kong listed equity investments	9,747	1,183
Overseas listed equity investments	991	38
Overseas unlisted commodity fund	1,592	–
Overseas unlisted equity investments	–	1,695
Overseas unlisted debt investments	27,397	6,076
Overseas unlisted linked notes	2,361	1,414
Overseas unlisted currency notes	9,189	10,535
	66,222	32,636

The above financial assets are classified as held for trading.

The fair values of the Group's investments have been measured as described in note 36.7.

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

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

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash in hand, bank balances, and time deposits with original maturity of less than three months	84,751	127,799	1,338	567
Cash placed at securities brokerage firms	79,670	38,477	–	–
Time deposits with original maturity of more than three months	30,000	15,658	–	–
Cash and cash equivalents per consolidated statement of financial position	194,421	181,934	1,338	567
Less: Time deposits with original maturity of more than three months	(30,000)	(15,658)	–	–
Cash and cash equivalents per consolidated cash flow statement	164,421	166,276	1,338	567

The effective interest rate of time deposits, denominated in HK\$ and US\$, with original maturity of less than three months are 0.001% to 1.04% per annum. They have a maturity of 7 days to 3 months and are eligible for immediate cancellation without receiving any interest for the last deposit period.

The effective interest rate of time deposits, denominated in US\$, with original maturity of more than three months are 0.5% per annum. They have a maturity of 6 months and are eligible for immediate cancellation without receiving any interest for the last deposit period.

At the reporting date, cash and bank balances of the Group denominated in RMB amounted to HK\$11,220,000 (2009: HK\$23,297,000). RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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For the year ended 31 March 2010

23. TRADE PAYABLES

	Group	
	2010	2009
	HK\$'000	HK\$'000
Trade payables	53,565	50,460

At 31 March 2010, the aging analysis of the trade payables, based on invoiced date, is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
0 to 30 days	25,296	16,663
31 to 60 days	12,740	11,589
61 to 90 days	7,576	4,709
Over 90 days	7,953	17,499
	53,565	50,460

All amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

24. INTEREST-BEARING BORROWINGS

	Group	
	2010 HK\$'000	2009 HK\$'000
Bank loans, secured	25,200	21,750
<hr/>		
	Group	
	2010 HK\$'000	2009 HK\$'000
Bank loans repayable		
Within one year or on demand	11,700	8,000
In the second year	9,200	7,500
In the third to fifth years, inclusive	4,300	6,250
	25,200	21,750
Less: Current portion due within one year included under current liabilities	(11,700)	(8,000)
	13,500	13,750

The interest-bearing borrowings were secured by the pledge of certain land and buildings under property, plant and equipment with net carrying amount of approximately HK\$14,850,000 as at 31 March 2010, the details are set out in note 14.

Details of the loans are stated below.

	Loan amount HK\$'000	Interest rate	Repayment terms
Loans denominated in HK\$	25,200	HIBOR + 1.75% p.a. – HIBOR + 2.25% p.a.	Payable within 5 years

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

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25. SHARE CAPITAL

	2010 HK\$'000	2009 HK\$'000
Authorised:		
800,000,000 shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	60,675	60,916

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

	2010		2009	
	Number of shares	HK\$'000	Number of shares	HK\$'000
At 1 April	609,163,826	60,916	609,163,826	60,916
Shares repurchase	(2,410,707)	(241)	–	–
At 31 March	606,753,119	60,675	609,163,826	60,916

Pursuant to an ordinary resolution set out in a special general meeting on 6 October 2009 in connection with a voluntary cash offer to repurchase up to 100,000,000 shares at HK\$0.38 per share (the "Offer"), the Offer was duly passed by the shareholder by way of poll. A total of 2,410,707 shares were repurchased by the Company in October 2009 at a total consideration of approximately HK\$0.92 million.

26. SHARE OPTION SCHEMES

The Company adopted a new share option scheme which was approved by the shareholders at the special general meeting of the Company held on 5 September 2002 (the "Scheme") to replace an old scheme which was adopted on 27 December 1996 and expired in the previous year.

A summary of the Scheme is set out below:

The Scheme became effective for a period of 10 years commencing on 5 September 2002. Under the Scheme, the directors may, at their sole discretion, grant to any eligible participants options to subscribe for shares of the Company at the higher of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; or (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share. The offer of a grant of options may be accepted within 21 days from the date of the offer. The exercise period of the options granted is determinable by the directors, and commences after a certain vesting period and ends in any event not later than 10 years from the date of the offer on which the offer for grant of the option is made, subject to the provisions for early termination thereof.

The maximum number of securities to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the annual general meeting held on 5 September 2002.

No share options were granted under the Scheme in the past years and during the year. At 31 March 2010, there were no outstanding options granted under the Scheme.

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

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27. RESERVES**Group**

	2010	2009
	HK\$'000	HK\$'000
Share premium account	95,120	95,795
Contributed surplus	34,080	34,080
Asset revaluation reserve	38,054	31,758
Capital reserve	9,900	9,900
Exchange reserve	(1,997)	(1,733)
Retained profits	208,857	206,262
	384,014	376,062

The contributed surplus of the Group arose as a result of the Group reorganisation carried out on 24 December 1996 and represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

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

27. RESERVES (Continued)**Company**

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2008	95,595	116,795	8,461	220,851
Profit for the year	–	–	13,564	13,564
Interim dividend	–	–	(6,092)	(6,092)
At 31 March 2009 and 1 April 2009	95,595	116,795	15,933	228,323
Share repurchase	(675)	–	–	(675)
Share repurchase expenses	–	–	(981)	(981)
Profit for the year	–	–	(717)	(717)
Interim dividend	–	–	(6,068)	(6,068)
Proposed final dividend	–	–	(6,068)	(6,068)
At 31 March 2010	94,920	116,795	2,099	213,814

The contributed surplus of the Company arose as a result of the same Group reorganisation scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

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For the year ended 31 March 2010

28. DEFERRED TAX

The following are major deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the current and prior year:

Deferred Tax Liabilities

	Tax loss HK\$'000	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
Balance at 1 April 2008	–	3,139	4,822	7,961
Reallocation to deferred tax assets	–	–	(831)	(831)
Charge to income for the year (note 10)	–	29	–	29
Charge to equity for the year	–	–	438	438
Balance at 31 March 2009	–	3,168	4,429	7,597
Reallocation to deferred tax assets	–	(189)	–	(189)
Reallocation from deferred tax assets	(3,073)	53	635	(2,385)
Charge/(Credit) to income for the year (note 10)	1,744	(886)	–	858
Charge to equity for the year	–	–	1,387	1,387
Balance at 31 March 2010	(1,329)	2,146	6,451	7,268

28. DEFERRED TAX (Continued)**Deferred Tax Assets**

	Tax loss	Accelerated tax depreciation	Revaluation of properties	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2008	–	–	–	–
Reallocation from deferred tax liabilities	–	–	831	831
Credit to income for the year (note 10)	(3,073)	53	–	(3,020)
Charge to equity for the year	–	–	(158)	(158)
Reversal of deferred tax upon disposal of land and buildings	–	–	(24)	(24)
Effect from change of tax rate	–	–	(14)	(14)
Balance at 31 March 2009	(3,073)	53	635	(2,385)
Reallocation from deferred tax liabilities	–	189	–	189
Reallocation to deferred tax liabilities	3,073	(53)	(635)	2,385
Credit to income for the year (note 10)	–	(198)	–	(198)
Balance at 31 March 2010	–	(9)	–	(9)

Deferred tax relating to the revaluation of the Group's properties was debited/credited directly to equity.

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

Deferred tax assets in respect of tax losses have not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The Group has unrecognised tax losses of HK\$11,019,000 (2009: HK\$11,576,000) to carry forward against future taxable income. The tax losses of the subsidiaries operating in the PRC amounted to HK\$5,037,000 (2009: HK\$5,324,000) can be carried forward for 5 years and the tax losses of the subsidiaries operating in Hong Kong amounted to HK\$5,982,000 (2009: HK\$6,252,000) will not be expired under the current tax legislation.

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For the year ended 31 March 2010

28. DEFERRED TAX (Continued)

Deferred tax liabilities of HK\$30,000 (2009: HK\$60,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled HK\$601,000 at 31 March 2010 (2009: HK\$1,197,000).

29. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION**29.1 Directors' remuneration**

Remuneration of the directors disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the provisions of the Listing Rules are as follows:

	Fees HK\$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Pension scheme contribution HK\$'000	Total HK\$'000
Year ended 31 March 2010					
<i>Executive directors:</i>					
Mr. Lui Shing Ming, Brian	–	1,680	1,900	256	3,836
Mr. Lui Shing Cheong	–	1,440	1,200	139	2,779
Mr. Lui Shing Chung, Victor	–	1,440	1,200	182	2,822
<i>Independent non-executive directors:</i>					
Dr. Lam Chun Kong	120	–	–	–	120
Mr. Lo Wing Man	140	–	–	–	140
Dr. Ng Lai Man, Carmen	170	–	–	–	170
	430	4,560	4,300	577	9,867

29. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)**29.1 Directors' remuneration (Continued)**

	Fees HK\$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Pension scheme contribution HK\$'000	Total HK\$'000
Year ended 31 March 2009					
<i>Executive directors:</i>					
Mr. Lui Chi (Resigned on 1 September 2008)	–	500	–	–	500
Mr. Lui Shing Ming, Brian	–	1,680	–	156	1,836
Mr. Lui Shing Cheong	–	1,440	–	89	1,529
Mr. Lui Shing Chung, Victor	–	1,440	–	132	1,572
<i>Independent non-executive directors:</i>					
Dr. Lam Chun Kong	120	–	–	–	120
Mr. Lo Wing Man	140	–	–	–	140
Dr. Ng Lai Man, Carmen	170	–	–	–	170
	430	5,060	–	377	5,867

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

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

29.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2009: three) directors, details of their emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2009: two) employees are as follows:

	2010 HK\$'000	2009 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	2,810	2,357
Pension scheme contribution	24	11
Number of individuals		
	2010	2009
Emolument bands		
HK\$1,000,001 – HK\$1,500,000	2	2

30. BANKING FACILITIES

At 31 March 2010, general banking facilities available to the Group amounted to HK\$282,650,000 (2009: HK\$287,900,000). The banking facilities utilised by the Group amounted to HK\$25,440,000 (2009: HK\$22,650,000) as at 31 March 2010.

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

- (a) legal charges on certain of the Group's leasehold land and buildings (note 14);
- (b) corporate guarantees from the Company (note 31).

31. FINANCIAL GUARANTEES

At 31 March 2010, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK\$187,700,000 (2009: HK\$162,700,000) (note 30).

32. CAPITAL COMMITMENTS

	Group	
	2010	2009
	HK\$'000	HK\$'000
Acquisition of property, plant and equipment – contracted for	–	8

The Company did not have any significant capital commitments at the reporting date (2009: Nil).

33. OPERATING LEASE ARRANGEMENTS

At 31 March 2010, the Group had total future minimum lease receivables in respect of properties under non-cancellable operating leases as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Within one year	109	109
In the second to fifth years, inclusive	300	4
	409	113

The Company does not have any minimum lease receipts under non-cancellable operating leases at the reporting date (2009: Nil).

34. OPERATING LEASE COMMITMENTS

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

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For the year ended 31 March 2010

34. OPERATING LEASE COMMITMENTS (Continued)

At 31 March 2010, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2010		2009	
	Land and buildings HK\$'000	Other assets HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000
Within one year	7,593	589	7,658	589
In the second to fifth years, inclusive	8,805	1,509	15,574	2,098
After five years	11,485	–	12,032	–
	27,883	2,098	35,264	2,687

The Company did not have any significant operating lease commitments under non-cancellable operating leases at the reporting date (2009: Nil).

35. RELATED PARTY TRANSACTIONS

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 29 to the financial statements. Other than the pension scheme contributions which are post employment benefits, the rest of the remuneration are short term employment benefits.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk, other price risk), credit risk and liquidity risk.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these financial risks. Generally, the Group employs a conservative strategy regarding its risk management. The Group holds certain derivative financial instruments which are included in financial assets at fair value through profit or loss.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**36.1 Categories of financial assets and liabilities**

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Financial assets				
Financial assets at fair value				
through profit or loss	66,222	32,636	–	–
Loans and receivables:				
– Trade receivables	84,553	84,541	–	–
– Deposits and other receivables	6,460	9,504	–	–
– Amount due from subsidiaries	–	–	166,496	174,909
Cash and cash equivalents	194,421	181,934	1,338	567
	351,656	308,615	167,834	175,476

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Financial liabilities				
Financial liabilities measured				
at amortised cost:				
– Trade payables	53,565	50,460	–	–
– Accrued liabilities and				
other payables	15,411	15,888	2,224	1,492
– Amounts due to subsidiaries	–	–	2,250	2,307
– Interest-bearing borrowings	25,200	21,750	–	–
	94,176	88,098	4,474	3,799

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For the year ended 31 March 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.2 Foreign currency risk

(i) Transactions in foreign currencies and the Group's risk management policies

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

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

(ii) Summary of exposure

The overall net exposure in respect of the carrying amount of the Group's foreign currency denominated financial assets and liabilities in net position as at 31 March 2010 and 2009 were as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Net financial assets/(liabilities)		
RMB	33	2,449
US\$	177,236	127,786

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

At 31 March 2010, the Group was exposed to the foreign currency fluctuation of RMB through its cash and cash equivalent of HK\$33,000. The director considers that any potential possible change in market interest rates will have minimal impact on the Group's profit before taxation for the year and therefore no sensitivity analysis was provided in respect of potential foreign currency fluctuation.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**36.2 Foreign currency risk (Continued)***(ii) Summary of exposure (Continued)*

In addition, the Group holds certain currency notes which are recorded in financial assets at fair value through profit or loss as stated in note 21 and is exposed to the fluctuations of certain foreign currency indices. Management's best estimate of the effect on the Group's profit/(loss) after tax as a result of a reasonably possible change in the underlying foreign currency rates of these currency notes, with all other variables held constant, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2010	2009
	Increase/ (Decrease) in net profit HK\$'000	Increase/ (Decrease) in net loss HK\$'000
Change in foreign currency rates		
+ 10%	1,316	(750)
- 10%	(1,210)	566

36.3 Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank and other borrowings carrying interests at variable rates, cash and cash equivalents and debt investments at fixed rates. Borrowings and cash and cash equivalents carried at variable rates expose the Group to cash flow interest rate risk whereas debt investments issued at fixed rates, which are accounted for as fair value through profit or loss, expose the Group to fair value interest rate risk. The Group will review whether bank loans bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of interest-bearing borrowings and cash and cash equivalent of the Group are disclosed in note 24 and 22 respectively. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**36.3 Cash flow and fair value interest rate risk (Continued)***Cash flow interest rate risk sensitivity*

At 31 March 2010, the Group was exposed to change in market interest through its bank borrowings and bank balances of HK\$25,200,000 (2009: HK\$21,750,000) and HK\$124,661,000 (2009: HK\$107,313,000) respectively, which are subject to variable interest rates. The director considers that any potential possible change in market interest rates will have minimal impact on the Group's profit or loss before taxation for the year and therefore no sensitivity analysis was provided in respect of potential movements in interest rates.

Fair value interest rate risk sensitivity

At 31 March 2010, the Group was exposed to fair value interest rate risk due to changes in market interest rates through its debt investments, which are issued at fixed interest rates and accounted for as fair value through profit or loss. The following table illustrates the sensitivity of the profit or loss for the year and retained earnings to a proportionate change in interest rates of +5% and -5%, with effect from the beginning of the year. The calculations are based on the Group's debt investments held at 31 March 2010. All other variables are held constant. The directors considered that fair value interest rate risk associated with last year's debt instruments was immaterial and thus comparative figures are not disclosed.

	Group 2010 HK\$'000
Increase/(Decrease) in net profit for the year	
If interest rates were 5% higher	746
If interest rates were 5% lower	(896)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.4 Other Price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investments in listed securities classified as financial assets at fair value through profit and loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by Board. The Group's listed investments are listed on the Stock Exchange of Hong Kong and overseas. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market Index and other industry indicators, as well as the Group's liquidity needs. Temporarily, the Group management has monitored price risk and will consider hedging of the risk if necessary. In the coming future, the Group will appoint a special team to take up the position.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

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

	Group	
	2010	2009
	Increase/ (Decrease) in net profit HK\$'000	Increase/ (Decrease) in net loss HK\$'000
Market price of equity securities		
+ 10%	1,291	(1,381)
- 10%	(1,643)	1,272

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.5 Credit risk

(i) *Summary of exposure*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the reporting date as described in note 2.6 to the financial statements

(ii) *Risk management objective and policies*

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and 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, the Group reviews the recoverable amount of each individual trade receivable regularly at each reporting date to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk for cash and cash equivalents and financial assets at fair value through profit or loss is considered negligible as the counterparties are reputable financial institutions with high quality external credit ratings.

The Group adopts conservative investment strategies. Usually investments are in liquid securities quoted on recognised stock exchanges. Trading accounts are only opened with reputable security brokers. No margin trading is allowed.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**36.6 Liquidity risk**

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative financial liabilities as at 31 March 2010. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

Group	Repayable on demand HK\$'000	1-3 months HK\$'000	4-6 months HK\$'000	7-9 months HK\$'000	10-12 months HK\$'000	Total contractual		Carrying amount HK\$'000
						Over 1 year HK\$'000	undiscounted cash flow HK\$'000	
At 31 March 2010								
Trade payables	-	45,612	7,953	-	-	-	53,565	53,565
Other payables	1,224	-	-	-	-	-	1,224	1,224
Accrued liabilities	14,187	-	-	-	-	-	14,187	14,187
Interest-bearing borrowings	-	3,108	3,101	3,093	2,586	13,604	25,492	25,200
Total	15,411	48,720	11,054	3,093	2,586	13,604	94,468	94,176
At 31 March 2009								
Trade payables	-	32,961	17,499	-	-	-	50,460	50,460
Other payables	2,830	-	-	-	-	-	2,830	2,830
Accrued liabilities	13,058	-	-	-	-	-	13,058	13,058
Interest-bearing borrowings	-	2,185	2,169	2,153	2,138	14,332	22,977	21,750
Total	15,888	35,146	19,668	2,153	2,138	14,332	89,325	88,098

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.6 Liquidity risk (Continued)

Company	Repayable on demand HK\$'000	1-3 months HK\$'000	4-6 months HK\$'000	7-9 months HK\$'000	10-12 months HK\$'000	Over 1 year HK\$'000	Total contractual undiscounted cash flow	Carrying amount HK\$'000
							HK\$'000	
At 31 March 2010								
Other payables	63	-	-	-	-	-	63	63
Accrued liabilities	2,161	-	-	-	-	-	2,161	2,161
Amount due to subsidiaries	2,250	-	-	-	-	-	2,250	2,250
Total	4,474	-	-	-	-	-	4,474	4,474
Financial guarantees issued								
Maximum amount guaranteed	-	25,200	-	-	-	-	25,200	-
At 31 March 2009								
Other payables	5	-	-	-	-	-	5	5
Accrued liabilities	1,487	-	-	-	-	-	1,487	1,487
Amount due to subsidiaries	2,307	-	-	-	-	-	2,307	2,307
Total	3,799	-	-	-	-	-	3,799	3,799
Financial guarantees issued								
Maximum amount guaranteed	-	21,750	-	-	-	-	21,750	-

The Group and the Company enjoyed a healthy financial position as at 31 March 2010, with cash and cash equivalents amounting to HK\$194,421,000 and HK\$1,338,000, a significant increase from HK\$181,934,000 and HK\$567,000 as at 31 March 2009.

The Group and the Company financed its operations and investment activities with internally generated cash flow.

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.7 Fair value

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 April 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparative for the hierarchy for fair value measurement disclosures have been presented.

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable of the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Group			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Listed securities held for trading	10,738	–	–	10,738
Unlisted securities held for trading	28,988	26,496	–	55,484
Total fair values	39,726	26,496	–	66,222

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

36.7 Fair value (Continued)

The fair values of the listed investments are determined based on the quoted bid prices on regulated exchange markets. The fair values of the overseas unlisted debt investments and commodity fund are determined by reference to the quoted bid prices from active markets with actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

In respect of other unlisted debt instruments, linked notes and currency notes, fair values are determined by using valuation techniques such as Monte Carlo Simulation or Binomial Option Pricing Models. These valuation techniques maximise the use of observable market data where it is available for all significant inputs and rely as little as possible on entity specific estimates. These instruments are included in Level 2.

There have been no significant transfers between level 1 and 2 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year.

37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

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

	31 March 2010 HK\$'000	31 March 2009 HK\$'000
Total borrowings	25,200	21,750
Total equity	450,757	436,978
Gearing ratio	6%	5%

38. EVENT AFTER REPORTING DATE

The Group had entered into the Agreement for the disposal of the property held for sales for the year as detailed in note 17. The transaction was completed subsequent to the reporting date and the consideration has been received in April 2010.