CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1196

ANNUAL REPORT 2011

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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

Tsang Chin Pang

LEGAL ADVISERS

Michael Li & Co.
Chiu & Partners

INDEPENDENT AUDITORS

BDO Limited
Certified Public Accountants
25th Floor Wing On Centre
111 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

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$517.4 million and profit attributable to equity holders of approximately HK$34.9 million for the year ended 31 March 2011. Basic earning per share was HK5.75 cents, based on the weighted average of 606,753,119 shares in issue during the year.

DIVIDENDS

The Directors recommended the payment of final dividend of HK2 cents (2010: HK1 cent) per share for the year ended 31 March 2011 to all shareholders whose name appear on the register of members of the Company on 15 August 2011, which is expected to be paid on or before 30 September 2011. This, together with interim dividend of HK1 cent per share and special dividend of HK3 cents per share already paid in December 2010, will bring the total dividend for the year to HK6 cents (2010: HK2 cent) per share.

BUSINESS REVIEW

The year 2011 remained a year of challenges and volatility. The Group recorded a total revenue of approximately HK$517.4 million, which represented an increase of about 12.8% to that of last year of approximately HK$458.7 million. Gross profit margin of the Group was 28.0% for the year under review, having improved when compared to 27.8% of the previous year. The Group recorded a profit attributable to equity holders of approximately HK$34.9 million for the year as compared with profit attributable to equity holders of HK$15.7 million last year. The improvement was mainly attributable to the increase of export sales of packaging boxes attributable by the recovery of the US and European markets.

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$428.2 million from this major business segment, which increased by about 13.4% compared to that of last year of HK$377.7 million. The profit from this segment increased from HK$8.0 million last year to approximately HK$27.8 million this year. The increase in turnover was due to the recovery of the US and European markets. Moreover, the 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 increased by 28.7% to approximately HK$30.9 million for the year under review as compared to that of last year of HK$24.0 million. The loss from this segment decrease from HK$2.9 million last year to HK$0.5 million this year. It was mainly caused by the increase in turnover and gross profit during the year within this segment.

The Group's commercial printing business was slightly improved by the increase in turnover resulting from increase in customer base. The revenue and profit from this segment for the year ended 31 March 2011 were approximately HK$58.3 million and HK$4.2 million, respectively as compared to approximately HK$57.0 million and HK$3.1 million, respectively of last year.

The Group's financial assets recorded a gain of approximately HK$4.4 million during the year compared to a gain of approximately HK$9.3 million last year. The Group also recorded a gain on disposal of property and prepaid lease payments of HK$3.1 million during the 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 2011 amounted to approximately HK$173.1 million. Its gearing ratio as at 31 March 2011 was 6.3% (2010: 5.6%), based on the short term interest bearing bank borrowings of approximately HK$29.6 million (2010: HK$25.2 million) and total equity of the Group of HK$469.0 million (2010: HK$452.7 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 2011, 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 Group managed the exchange rate exposures of Renminbi and Hong Kong dollars through financial instruments.

Financial Guarantees and Charges on Assets

As at 31 March 2011, corporate guarantees amounting to approximately HK$157.7 million (2010: HK$187.7 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$18.5 million (2010: HK$14.9 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 uncertain economic recovery in the United States and potential crisis in European Union, the overseas demand for our products remains volatile. 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. The Group recently completed an acquisition of an associate engaging in coalbed methane projects in Shaanxi and Shanxi. The directors consider that the acquisition would enable the Group to enter into the coalbed methane supply market, being a clean energy section that is supported by the PRC government, and produce a new source of income of the Group.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2011, the Group had a total workforce of approximately 1,500, of whom approximately 1,350 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

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 2011.

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, 27 June 2011

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

EXECUTIVE DIRECTORS

Mr. Lui Shing Ming, Brian, aged 51, 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 Hong Kong Food Investment Holdings Limited (formerly known as 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 57, 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 48, 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 59, is the 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 energy management & 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 The Institution of Mechanical Engineers, 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 JP, aged 57, is the Managing Director of Chun Ming Engineering Co. Ltd., which is licensed as a Registered Lift and Escalator Contractor in Hong Kong. Mr. Lo participates actively in community service, and has been appointed as District Councillor for Shamshuipo since 2008 by Hong Kong SAR. Mr. Lo holds a Bachelor of Science Degree from the University of Wisconsin, USA. Mr. Lo joined the Group in 2000.

Dr. Ng Lai Man, Carmen, aged 46, 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 Doctorate Degree in Business Administration from The Hong Kong Polytechnic University, Degree in Juris Doctor from The Chinese University of Hong Kong, Master Degree in Laws (Corporate and Finance Laws) from The University of Hong Kong, Master Degree in Business Administration from The Chinese University of Hong Kong, and Master Degree in Professional Accounting 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 will also be an independent non-executive director of 1010 Printing Holdings Limited ("1010"), a subsidiary of Recruit Holdings Limited ("RHL") (Stock Code: 0550). As at the date of this report, RHL has announced the proposed spin-off and separate listing of 1010 on the Mainboard of the Stock Exchange. Dr. Ng joined the Group in 2004.

SENIOR MANAGEMENT

Mr. Yuen Hung, aged 76, 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 66, 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 50, is the General Manager of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 18 years of experience in the printing and paper products industry. He joined the Group in September 1996.

Miss Ng Shuk Fong, Aman, aged 46, 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.

SENIOR MANAGEMENT (Continued)

Mr. Tsang Chin Pang, aged 32, is the Chief Financial Officer and Company Secretary of the Company. He has over 9 years of experience in assurance and transaction advisory services in Hong Kong and China. He graduated from the Hong Kong University of Science and Technology with a Bachelor Degree in Business Administration, majoring in finance. Mr. Tsang is a member of The Hong Kong Institute of Certified Public Accountants. He joined the Group in February 2011.

Mr. Cheung Ka Yu, Geoffrey, aged 45, is the Financial Controller of the Group with effect from February 2011. He holds a bachelor Degree of Accounting and Finance from the University of Greenwich, England, and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of International Accountants. He joined the Group in August 2007.

Mr. Li Chun Sing, aged 54, is the Operation Director of Capital Financial Press Limited. Mr. Li has more than 20 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 45, 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 50, 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 18 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 2011.

PRINCIPAL ACTIVITIES

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

An analysis of the Group's performance for the year by business 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 2011 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 108.

An interim dividend of HK1 cent per share and a special dividend of HK3 cents per share, amounting to an aggregate of approximately HK$24,270,000 was paid in cash in December 2010.

The Directors recommend the payment of a final dividend of HK2 cents per share, amounting to approximately HK$12,135,000 in respect of the year ended 31 March 2011 to all shareholders whose name appear on the register of members of the Company on 15 August 2011, which is expected to be paid on or before 30 September 2011.

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 two years ended 31 March 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.

SUMMARY FINANCIAL INFORMATION (Continued)

Results

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**517,409**	458,680	519,638	648,730	574,882
Profit/(loss) from operations	**40,742**	19,890	(5,956)	51,832	33,812
Finance costs	**(816)**	(977)	(1,970)	(3,047)	(2,182)
Profit/(loss) before income tax	**39,926**	18,913	(7,926)	48,785	31,630
Income tax (expense)/credit	**(5,019)**	(3,201)	1,323	(6,687)	(4,730)
Profit/(loss) for the year	**34,907**	15,712	(6,603)	42,098	26,900
Attributable to:					
Equity holders of the Company	**34,907**	15,712	(6,603)	42,098	26,359
Minority interests	**–**	–	–	–	541
Profit/(loss) for the year	**34,907**	15,712	(6,603)	42,098	26,900

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and Liabilities

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
Property, plant and equipment	**165,470**	158,491	179,272	187,132	183,941
Investment properties	**8,140**	–	–	460	19,430
Prepaid lease payments	**13,703**	14,049	14,786	16,071	16,472
Deferred tax assets	**94**	9	2,385	–	–
Deposits paid	**40,027**	–	–	–	–
Current assets	**390,188**	407,517	355,233	424,609	385,869
Total assets	**617,622**	580,066	551,676	628,272	605,712
Current liabilities	**109,301**	94,472	84,225	140,766	176,901
Interest-bearing borrowings	**29,556**	25,200	21,750	17,837	28,043
Deferred tax liabilities	**9,722**	7,659	7,783	7,961	4,599
Total liabilities	**148,579**	127,331	113,758	166,564	209,543
Net assets	**469,043**	452,735	437,918	461,708	396,169
Minority interests	**–**	–	–	–	4,467

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

Details of the movements in the property, plant and equipment, prepaid lease payments and investment property of the Group are set out in notes 14, 15 and 16, 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 26 and 27, respectively, to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to 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 28 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 2011 are set out in note 28 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 41% 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 57% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 18% 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

Dr. Lam Chun Kong and Dr. Ng Lai Man, Carmen will retire as independent non-executive 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.

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 2011, 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:

	Number of shares held				Total
Name of director	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	interests as % of the issued share capital
Mr. Lui Shing Ming, Brian	5,468,750	–	319,157,286 *(Note 1)*	324,626,036	53.50%
Mr. Lui Shing Cheong	3,906,250	–	319,157,286 *(Note 1)*	323,063,536	53.24%
Mr. Lui Shing Chung, Victor	3,906,250	1,562,500 *(Note 2)*	319,157,286 *(Note 1)*	324,626,036	53.50%

Notes:

1. 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.

2. 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 2011, 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 2011, 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	319,157,286 *(Note 1)*	52.60%
Madam Ng Sze Mui	Founder of a discretionary trust	319,157,286 *(Note 1)*	52.60%
Madam Ng Shuk Fong, Aman	Beneficial owner and interest of spouse	324,626,036 *(Note 2)*	53.50%
Harmony Link Corporation	Beneficial owner	319,157,286	52.60%
The Lui Family Company Limited	Trustee	319,157,286 *(Note 3)*	52.60%
Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited")	Trustee	319,157,286 *(Note 3)*	52.60%

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 323,063,536 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 2011, 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 2011, 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 27 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 financial statements in respect of the previous financial years were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 26 November 2010, GTHK resigned and BDO was appointed as auditor of the Company effective from 24 November 2010. The financial statements for the year ended 31 March 2011 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

There has been no other changes of auditors in the preceding three years.

For and on behalf of the Board

Lui Shing Ming Brian
Chairman

Hong Kong, 27 June 2011

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 Listing Rules for the year ended 31 March 2011 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 2011.

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 shareholders' value.

The Board met 7 times during the year ended 31 March 2011. Its composition and the attendance of individual directors at these board meetings were follows:

Name	**Number of meetings attended/held**
Executive directors	
Lui Shing Ming, Brian *(Chairman)*	7/7
Lui Shing Cheong *(Managing Director)*	7/7
Lui Shing Chung, Victor	7/7
Independent non-executive directors	
Lam Chun Kong	7/7
Lo Wing Man	7/7
Ng Lai Man, Carmen	7/7

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 one time 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 2011, the Remuneration Committee has reviewed and determined the Group's remuneration policy, including the policy for the remuneration of executive directors, the levels of remuneration paid to executive directors and senior management of the Group.

NOMINATION OF DIRECTORS

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first 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 2011, 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 2011.

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 2011 on areas where rooms for improvement were identified.

AUDITOR'S REMUNERATION

For the year ended 31 March 2011, fees paid/payable to the Company's external auditor for audit services totalled HK$813,000, compared with HK$770,000 in the previous year. For non-audit services, the fees amounted to HK$115,000, compared with HK$110,000 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 2011 interim results	95
– Review on announcement of 2011 annual results	20
	115

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 two times during the year, which were attended by all members.

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 2011 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.

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TO THE SHAREHOLDERS 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 the "Group") set out on pages 25 to 108, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, 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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 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.

BDO Limited
Certified Public Accountants

Tsui Ka Che, Norman
Practising certificate number P05057

Hong Kong, 27 June 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Revenue	6	**517,409**	458,680
Cost of sales		**(372,614)**	(331,223)
Gross profit		**144,795**	127,457
Other operating income	7	**14,518**	14,121
Selling and distribution costs		**(12,748)**	(13,763)
Administrative expenses		**(96,889)**	(90,698)
Other operating expenses		**(8,934)**	(17,227)
Profit from operations	8	**40,742**	19,890
Finance costs	9	**(816)**	(977)
Profit before income tax		**39,926**	18,913
Income tax expense	10	**(5,019)**	(3,201)
Profit for the year attributable to the equity holders of the Company	11	**34,907**	15,712
Earnings per share for profit for the year attributable to the equity holders of the Company	13		
– Basic		**HK5.75 cents**	HK2.58 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000 (Restated)
Profit for the year	**34,907**	15,712
Other comprehensive income:		
Exchange gain/(loss) on translation of financial statements of foreign operations	**777**	(264)
Revaluation surplus on leasehold land and buildings	**13,906**	8,926
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	**(2,944)**	(1,592)
Other comprehensive income for the year, net of tax	**11,739**	7,070
Total comprehensive income attributable to the equity holders of the Company	**46,646**	22,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	**165,470**	158,491	179,272
Prepaid lease payments	15	**13,703**	14,049	14,786
Investment property	16	**8,140**	–	–
Deposits paid for acquisition of property, plant and equipment		**11,226**	–	–
Deposit paid for acquisition of an investment property		**801**	–	–
Deposits paid for investment in an associate	33(a)	**28,000**	–	–
Deferred tax assets	29	**94**	9	2,385
		227,434	172,549	196,443
Current assets				
Inventories	19	**51,033**	45,891	42,953
Trade receivables	20	**76,158**	84,553	84,541
Prepayments, deposits and other receivables	21	**12,193**	8,992	12,530
Financial assets at fair value through profit or loss	22	**77,372**	66,222	32,636
Cash and cash equivalents	23	**173,109**	194,421	181,934
Tax receivable		**323**	673	639
		390,188	400,752	355,233
Non-current assets held for sale	18	**–**	6,765	–
		390,188	407,517	355,233
Current liabilities				
Trade payables	24	**67,207**	53,565	50,460
Accrued liabilities and other payables		**31,359**	32,229	26,239
Interest-bearing borrowings	25	**29,556**	25,200	21,750
Tax payable		**10,735**	8,678	7,526
		138,857	119,672	105,975

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)
Net current assets		**251,331**	287,845	249,258
Total assets less current liabilities		**478,765**	460,394	445,701
Non-current liabilities				
Deferred tax liabilities	29	**9,722**	7,659	7,783
Net assets		**469,043**	452,735	437,918
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	26	**60,675**	60,675	60,916
Reserves	28	**396,233**	385,992	377,002
Proposed dividend	12	**12,135**	6,068	–
Total equity		**469,043**	452,735	437,918

On behalf of the Board

LUI SHING MING, BRIAN
Director

LUI SHING CHUNG, VICTOR
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	**116,995**	116,995
Current assets			
Amounts due from subsidiaries	17	**173,648**	166,496
Prepayments, deposits and other receivables	21	**170**	202
Cash and cash equivalents	23	**1,584**	1,338
		175,402	168,036
Current liabilities			
Amounts due to subsidiaries	17	**2,247**	2,250
Accrued liabilities and other payables		**3,542**	2,224
Tax payable		**501**	–
		6,290	4,474
Net current assets		**169,112**	163,562
Net assets		**286,107**	280,557
EQUITY			
Share capital	26	**60,675**	60,675
Reserves	28	**213,297**	213,814
Proposed dividend	12	**12,135**	6,068
Total equity		**286,107**	280,557

On behalf of the Board

LUI SHING MING, BRIAN
Director

LUI SHING CHUNG, VICTOR
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 March 2011

	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from operating activities		
Profit before income tax	**39,926**	18,913
Adjustments for:		
Finance cost	**816**	977
Interest income	**(3,568)**	(2,435)
Dividend income from financial assets at fair value through profit or loss	**(530)**	(80)
Gain on disposal of financial assets at fair value through profit or loss	**(3,278)**	(6,606)
(Gain)/Loss on disposal of property, plant and equipment	**(1,210)**	1,718
Gain on disposal of non-current assets held for sale	**(3,130)**	–
Fair value gain on financial assets at fair value through profit or loss	**(1,131)**	(2,727)
Provision for slow moving inventories	**4,769**	1,427
Depreciation of property, plant and equipment	**14,543**	14,722
Amortisation of prepaid lease payments for land	**346**	365
(Surplus)/Deficit on revaluation of leasehold land and buildings	**(85)**	3,403
Surplus on revaluation of investment property	**(305)**	–
Write off on property, plant and equipment	**3,766**	9,626
Allowance for impairment on trade receivables	**99**	857
Allowance for impairment on other receivables	**300**	–
Bad debts expenses	**–**	196
Operating profit before working capital changes	**51,328**	40,356
Increase in inventories	**(9,911)**	(4,365)
Decrease/(Increase) in trade receivables	**8,296**	(1,065)
(Increase)/Decrease in prepayments, deposits and other receivables	**(3,501)**	3,538
Increase in financial assets at fair value through profit or loss	**(6,741)**	(24,253)
Increase in trade payables	**13,642**	3,105
(Decrease)/Increase in accrued liabilities and other payables	**(870)**	5,964
Cash generated from operations	**52,243**	23,280
Interest received	**3,568**	2,435
Interest paid	**(816)**	(977)
Dividend received from financial assets at fair value through profit or loss	**530**	80
Net income tax paid	**(3,578)**	(1,423)
Net cash generated from operating activities	**51,947**	23,395

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(11,324)**	(6,617)
Purchases of investment property		**(7,835)**	–
Deposits paid for acquisition of property, plant and equipment		**(11,226)**	–
Deposit paid for acquisition of an investment property		**(801)**	–
Deposits paid for investment in an associate		**(28,000)**	–
Decrease/(Increase) in time deposits with original maturity of more than three months		**29,247**	(14,342)
Proceeds from disposal of property, plant and equipment		**1,237**	462
Proceeds from disposal of non-current assets held for sale		**9,895**	–
Net cash used in investing activities		**(18,807)**	(20,497)
Cash flows from financing activities			
Dividends paid		**(30,338)**	(6,042)
Repayment of bank loans		**(35,700)**	(48,550)
Borrowing of bank loans		**40,056**	52,000
Shares repurchase expenses		**–**	(981)
Payment for shares repurchase		**–**	(916)
Net cash used in financing activities		**(25,982)**	(4,489)
Net increase/(decrease) in cash and cash equivalents		**7,158**	(1,591)
Cash and cash equivalents at beginning of year		**164,421**	166,276
Effect of foreign exchange rate changes		**777**	(264)
Cash and cash equivalents at end of year	23	**172,356**	164,421

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Equity attributable to equity holders of the Company								
	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	Total equity HK$'000
At 1 April 2009	60,916	95,795	34,080	31,758	9,900	(1,733)	206,262	–	436,978
Effect of adoption of HKAS 17 (Amendment)	–	–	–	940	–	–	–	–	940
At 1 April 2009 (Restated)	60,916	95,795	34,080	32,698	9,900	(1,733)	206,262	–	437,918
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	–	–	–	8,926	–	–	–	–	8,926
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	–	–	–	(1,592)	–	–	–	–	(1,592)
Total comprehensive income for the year	–	–	–	7,334	–	(264)	15,712	–	22,782
Proposed 2010 final dividend	–	–	–	–	–	–	(6,068)	6,068	–
At 31 March 2010 (Restated)	60,675	95,120	34,080	40,032	9,900	(1,997)	208,857	6,068	452,735

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Equity attributable to equity holders of the Company								
	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	Total equity HK$'000
At 1 April 2010	60,675	95,120	34,080	38,054	9,900	(1,997)	208,857	6,068	450,757
Effect of adoption of HKAS 17 (Amendment)	–	–	–	1,978	–	–	–	–	1,978
At 1 April 2010 (Restated)	60,675	95,120	34,080	40,032	9,900	(1,997)	208,857	6,068	452,735
Final 2010 dividend paid	–	–	–	–	–	–	–	(6,068)	(6,068)
Interim 2011 dividend paid	–	–	–	–	–	–	(6,068)	–	(6,068)
Special 2011 dividend paid	–	–	–	–	–	–	(18,202)	–	(18,202)
Transactions with owners	–	–	–	–	–	–	(24,270)	(6,068)	(30,338)
Profit for the year	–	–	–	–	–	–	34,907	–	34,907
Other comprehensive income									
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	777	–	–	777
Revaluation surplus on leasehold land and buildings	–	–	–	13,906	–	–	–	–	13,906
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	–	–	–	(2,944)	–	–	–	–	(2,944)
Total comprehensive income for the year	–	–	–	10,962	–	777	34,907	–	46,646
Reserve realised upon disposal of non-current assets held for sale	–	–	–	(6,211)	–	–	6,211	–	–
Proposed 2011 final dividend	–	–	–	–	–	–	(12,135)	12,135	–
At 31 March 2011	60,675	95,120	34,080	44,783	9,900	(1,220)	213,570	12,135	469,043

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 17 to the financial statements.

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

The financial statements for the year ended 31 March 2011 were approved by the board of directors on 27 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 25 to 108 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The financial statements have been prepared on the historical cost basis except for the revaluation of certain leasehold land and buildings, investment property, 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 comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

2.3 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment

Land and buildings held under finance leases, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

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.

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 Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

2.6 Leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Leases (Continued)

(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:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2.5); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Leases (Continued)

(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 time 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.

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

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

Rental income receivable from operating leases is recognised in 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.

2.7 Financial assets

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

The Group's financial assets mainly include cash and cash equivalents, trade receivables, 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 and sales 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

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

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 2.16 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 costs.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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.

2.9 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.

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.

2.10 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial liabilities

The Group's financial liabilities mainly include interest-bearing borrowings, 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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Accounting for income taxes (Continued)

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.

2.13 Retirement benefit costs and short term employee benefits

(a) Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Hong Kong Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(a) Retirement benefit costs (Continued)

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.

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.

2.14 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 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.

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 are recognised in other comprehensive income and accumulated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

2.17 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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.

2.19 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) the commercial printing segment provides financial printing, digital printing and other related services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Segment reporting (Continued)

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 arm's length prices.

The executive directors assess segment reporting 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).

Segment assets include all assets with the exception of corporate assets, including deposits for investment in an associate, investment property, deposits for acquisition of an investment property, 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 asymetrical allocations have been applied to reportable segments.

2.20 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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Related parties (Continued)

(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

(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.

2.21 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.

3. ADOPTION OF NEW OR AMENDED HKFRSs

Adoption of new or amended HKFRSs effective on or after 1 April 2010

In the current year, the Group has applied, for the first time, the following new or amended 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 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
Various	Annual improvements to HKFRSs 2009

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

HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The revised standard introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in this standard are as follows:

– Acquisition-related costs of the combination are recorded as an expense in profit or loss. Previously, these costs would have been accounted for as part of the cost of the acquisition.

– The assets acquired and liabilities assumed are generally measured at their acquisition-date fair value unless the revised standard provides an exception and provides specific measurement rules.

– Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit and loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

Adoption of new or amended HKFRSs effective on or after 1 April 2010 (Continued)

HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements (Continued)

The revised standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The Group did not have business acquisition on or after 1 April 2010. Therefore, the adoption of this standard results in a change of the Group's accounting policies on business combinations but did not have any impact in the Group's financial position and results.

The adoption of HKFRS 3 (Revised) required that the HKAS 27 (Revised) is adopted at the same time. Similar to HKFRS 3 (Revised), the adoption of the revised standard is applied prospectively. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of the standard had no impact in the current year's financial statements.

HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2009, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

Adoption of new or amended HKFRSs effective on or after 1 April 2010 (Continued)

HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (Continued)

The effect of the adoption of this interpretation on the consolidated statement of financial position is as follows:

	As at 31 March		As at 1 April
	2011	2010	2009
	HK$'000	HK$'000	HK$'000
Increase/(Decrease) in:			
Current liabilities			
Interest-bearing borrowings	**4,300**	13,500	13,750
Non-current liabilities			
Interest-bearing borrowings	**(4,300)**	(13,500)	(13,750)

Annual Improvements to HKFRSs 2009 – Amendment to HKAS 17 Leases

The improvements to HKFRSs 2009 made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 17 Leases. The amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid lease payments", and amortised over the lease term.

The amendment has been applied retrospectively for annual period beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold lands from operating lease to finance lease.

Accordingly, certain pieces of leasehold land which are held for own use are accounted for as property, plant and equipment and are depreciated over the lease term.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

Adoption of new or amended HKFRSs effective on or after 1 April 2010 (Continued)

Annual Improvements to HKFRSs 2009 – Amendment to HKAS 17 Leases (Continued)

The effect of the adoption of this amendment is as follows:

	For the year ended 31 March	
	2011	2010
	HK$'000	HK$'000
Increase/(Decrease) in profit or loss		
Amortisation of prepaid lease payments	**23**	23
Depreciation of property, plant and equipment	**(55)**	(23)
Profit for the year	**(32)**	–

	As at 31 March		As at 1 April
	2011	2010	2009
	HK$'000	HK$'000	HK$'000
Increase/(Decrease) in			
Non-current assets			
Property, plant and equipment	**4,120**	3,230	2,010
Prepaid lease payments	**(838)**	(861)	(884)
Non-current liabilities			
Deferred tax liabilities	**547**	391	186
Equity			
Asset revaluation reserve	**2,767**	1,978	940
Retained profits	**(32)**	–	–

As a result of the above retrospective reclassification and restatement, an additional consolidated statement of financial position is presented in accordance with HKAS 1 Presentation of Financial Statements.

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.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

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.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments are effective for annual periods beginning on or after 1 January 2012 and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

HKFRS 9 Financial Instruments

The standard is effective for annual periods beginning on or after 1 January 2013. Under the standard, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

The Group's leasehold land and buildings and investment property were stated at fair value in accordance with the accounting policies stated in notes 2.4 and 2.5 to the financial statements respectively. The fair value of the leasehold land and buildings and investment property are determined by an independent firm of professional valuers, LCH (Asia-Pacific) Surveyors Limited (" LCH"), and the fair value of these properties are set out in notes 14 and 16 to the financial statements respectively. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

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

In making the judgement, reasonable consideration has been given to the underlying assumptions. For certain leasehold land and buildings in and outside Hong Kong, estimates are mainly based on market conditions existing at the reporting date. For certain 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 2.19.

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.

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		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**428,165**	377,680	**30,938**	24,041	**58,306**	56,959	**–**	–	**517,409**	458,680
Intersegment sales	**7,596**	9,400	**1,339**	417	**320**	413	**(9,255)**	(10,230)	**–**	–
Total	**435,761**	387,080	**32,277**	24,458	**58,626**	57,372	**(9,255)**	(10,230)	**517,409**	458,680
Reportable segment results	**27,828**	7,955	**(496)**	(2,948)	**4,191**	3,115	**–**	–	**31,523**	8,122
Unallocated income:										
Interest income									**3,568**	2,435
Dividend income from financial assets at fair value through profit or loss									**530**	–
Fair value gain on financial assets at fair value through profit or loss									**4,409**	9,333
Gain on disposal of non-current assets held for sale									**3,130**	–
Revaluation surplus on investment property									**305**	–
Unallocated expenses									**(2,723)**	–
Profit from operations									**40,742**	19,890
Finance costs									**(816)**	(977)
Profit before income tax									**39,926**	18,913
Income tax expense									**(5,019)**	(3,201)
Profit for the year									**34,907**	15,712

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	
	2011 HK$'000	2010 HK$'000 (Restated)	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000 (Restated)
Reportable segment assets	296,493	282,159	6,507	7,935	26,783	28,647	329,783	318,741
Unallocated assets:								
Investment property							8,140	–
Deposit paid for acquisition of an investment property							801	–
Deposits paid for investment in an associate							28,000	–
Financial assets at fair value through profit or loss							77,372	66,222
Cash and cash equivalents							173,109	194,421
Others							417	682
Total assets							617,622	580,066
Reportable segment liabilities	83,544	51,149	3,497	3,504	11,525	31,141	98,566	85,794
Unallocated liabilities							50,013	41,537
Total liabilities							148,579	127,331
Other segment information:								
Depreciation on property, plant and equipment	12,071	12,312	950	790	1,522	1,620	14,543	14,722
Amortisation of prepaid lease payments	233	237	–	–	113	128	346	365
(Gain)/Loss on disposal of property, plant and equipment	(1,210)	225	–	1,493	–	–	(1,210)	1,718
Revaluation (surplus)/deficit on leasehold land and buildings	(85)	3,403	–	–	–	–	(85)	3,403
Write off of property, plant and equipment	2,571	9,626	1,195	–	–	–	3,766	9,626
Provision for slow moving inventories	4,769	1,427	–	–	–	–	4,769	1,427
Allowance for impairment on trade receivables	(227)	857	–	–	326	–	99	857
Allowance for impairment on other receivables	300	–	–	–	–	–	300	–
Bad debt expenses	–	196	–	–	–	–	–	196
Capital expenditure	10,723	5,500	390	1,060	211	57	11,324	6,617

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 (domicile)		Elsewhere in the PRC		United Kingdom		United Kingdom Europe and other countries, excluding United Kingdom		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)								(Restated)
Reportable segment revenue:										
Sales to external customers	**446,414**	379,832	**26,961**	15,947	**33,306**	42,898	**10,728**	20,003	**517,409**	458,680
Non-current assets	**81,082**	30,668	**146,258**	141,872	**–**	–	**–**	–	**227,340**	172,540

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 2011, HK$52,644,000 or 10% (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.

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.

	2011 HK$'000	2010 HK$'000
Sales of goods	**459,103**	401,721
Rendering of services	**58,306**	56,959
	517,409	458,680

7. OTHER OPERATING INCOME

	2011 HK$'000	2010 HK$'000
Interest income	**3,568**	2,435
Dividend income from financial assets at fair value through profit or loss	**530**	80
Gain on disposal of financial assets at fair value through profit or loss	**3,278**	6,606
Fair value gain on financial assets at fair value through profit or loss	**1,131**	2,727
Gain on disposal of non-current assets held for sale	**3,130**	–
Gain on disposal of property, plant and equipment	**1,210**	–
Revaluation surplus on leasehold land and buildings	**85**	–
Revaluation surplus on investment property	**305**	–
Net exchange gain	**–**	1,137
Sundry income	**1,281**	1,136
	14,518	14,121

8. PROFIT FROM OPERATIONS

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

	2011 HK$'000	2010 HK$'000 (Restated)
Amortisation of prepaid lease payments[a]	**346**	365
Auditor's remuneration	**813**	880
Cost of inventories sold	**352,846**	312,939
Cost of services rendered	**19,768**	18,284
Depreciation of property, plant and equipment[b]	**14,543**	14,722
Exchange loss/(gain), net	**831**	(1,137)
(Gain)/Loss on disposal of property, plant and equipment[g]	**(1,210)**	1,718
Gain on disposal of non-current assets held for sale[g]	**(3,130)**	–
Provision for slow moving inventories[g]	**4,769**	1,427
Fair value gain on financial assets at fair value through profit or loss[g]	**(1,131)**	(2,727)
Gain on disposal of financial assets at fair value through profit or loss[g]	**(3,278)**	(6,606)
Operating lease charges on land and buildings[c]	**8,770**	10,174
Bad debt expenses[g]	**–**	196
Allowance for impairment[g]		
– trade receivables	**99**	857
– other receivables	**300**	–
Write off of property, plant and equipment[g] (note 14)	**3,766**	9,626
Revaluation (surplus)/deficit on leasehold land and buildings[g]	**(85)**	3,403
Revaluation surplus on investment property[g]	**(305)**	–
Staff costs (excluding directors' remuneration)		
Wages and salaries[d]	**94,818**	77,934
Provision for long service payment[f]	**2,106**	649
Net pension scheme contributions[e]	**4,877**	6,054

(a) Amortisation of prepaid lease payments of HK$83,000 (2010: HK$101,000) has been expensed in cost of sales and HK$263,000 (2010: HK$264,000) in administrative expenses.

(b) Depreciation on property, plant and equipment of HK$10,563,000 (2010: HK$10,217,000) has been expensed in cost of sales and HK$3,980,000 (2010: HK$4,505,000) in administrative expenses.

8. PROFIT FROM OPERATIONS (Continued)

(c) Operating lease charges on land and buildings of HK$539,000 (2010: HK$788,000) has been expensed in cost of sales and HK$8,231,000 (2010: HK$9,386,000) in administrative expenses.

(d) Wages and salaries of HK$39,902,000 (2010: HK$35,177,000) has been expensed in cost of sales and HK$54,916,000 (2010: HK$42,757,000) in administrative expenses.

(e) Net pension scheme contributions of HK$337,000 (2010: HK$398,000) has been expensed in cost of sales and HK$4,540,000 (2010: HK$5,656,000) in administrative expenses.

(f) Provision for long service payment of HK$Nil (2010: HK$Nil) has been expensed in cost of sales and HK$2,106,000 (2010: HK$649,000) in administrative expenses.

(g) Included in other operating (income)/expenses.

9. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	HK$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	**816**	977

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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% (2010: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

10. INCOME TAX EXPENSE (Continued)

Deferred tax is accounted for using the balance sheet liabilities method at a rate of 16.5% (2010: 16.5%) in Hong Kong or the tax rates prevailing in the countries in which the Group operates.

	Group	
	2011	2010
	HK$'000	HK$'000
Current tax – Hong Kong		
Tax expense for the year	**6,246**	2,928
Over provision in respect of prior years	**(370)**	(625)
	5,876	2,303
Current tax – overseas		
Tax expense for the year	**136**	105
(Over)/Under provision in respect of prior years	**(27)**	133
	109	238
Deferred tax		
Tax (credit)/expense for the year (note 29)	**(966)**	660
Income tax expense	**5,019**	3,201

10. INCOME TAX EXPENSE (Continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
Profit before income tax	**39,926**	18,913
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdiction concerned	**6,153**	3,823
Tax effect on non-deductible expenses	**1,762**	1,588
Tax effect on non-taxable revenue	**(1,850)**	(2,517)
Tax effect of utilisation of tax losses not previously recognised	**(928)**	(51)
Tax effect on tax loss not recognised	**279**	850
Over provision in prior years	**(397)**	(492)
Income tax expense	**5,019**	3,201

11. PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit for the year attributable to the equity holders of the Company of HK$34,907,000 (2010:HK$15,712,000), a profit of HK$35,888,000 (2010: a loss of HK$717,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends attributable to the year

	2011	2010
	HK$'000	HK$'000
Interim dividend of HK1 cent (2010: HK1 cent) per ordinary share	**6,068**	6,068
Special dividend of HK3 cents (2010: Nil) per ordinary share	**18,202**	–
Proposed final dividend of HK2 cents (2010: HK1 cent) per ordinary share	**12,135**	6,068
	36,405	12,136

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 2011.

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

	2011	2010
	HK$'000	HK$'000
Final dividend of HK1 cent per ordinary share for 2010 paid during the year	**6,068**	–

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of HK$34,907,000 (2010: HK$15,712,000) and on the weighted average number of ordinary shares of 606,753,119 (2010: 608,093,868) 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 2011 and 2010.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000 (Restated)	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
1 April 2009							
Cost or valuation	114,701	253,005	28,392	15,070	3,882	8,124	423,174
Accumulated depreciation	–	(201,454)	(25,023)	(9,903)	(695)	(6,827)	(243,902)
Net carrying amount	**114,701**	**51,551**	**3,369**	**5,167**	**3,187**	**1,297**	**179,272**
Year ended 31 March 2010							
Opening net carrying amount	114,701	51,551	3,369	5,167	3,187	1,297	179,272
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	5,523	–	–	–	–	–	5,523
Depreciation	(3,184)	(7,324)	(1,250)	(1,271)	(994)	(699)	(14,722)
Closing net carrying amount	**110,647**	**37,833**	**2,841**	**4,138**	**2,242**	**790**	**158,491**
At 31 March 2010 and 1 April 2010							
Cost or valuation	110,647	110,669	29,114	15,312	3,931	8,187	277,860
Accumulated depreciation	–	(72,836)	(26,273)	(11,174)	(1,689)	(7,397)	(119,369)
Net carrying amount	**110,647**	**37,833**	**2,841**	**4,138**	**2,242**	**790**	**158,491**
Year ended 31 March 2011							
Opening net carrying amount	110,647	37,833	2,841	4,138	2,242	790	158,491
Additions	–	8,818	5	451	–	2,050	11,324
Disposals and write-off, net	–	(3,571)	(6)	(44)	–	(172)	(3,793)
Net revaluation surplus	13,991	–	–	–	–	–	13,991
Depreciation	(3,138)	(7,786)	(1,011)	(1,084)	(1,005)	(519)	(14,543)
Closing net carrying amount	**121,500**	**35,294**	**1,829**	**3,461**	**1,237**	**2,149**	**165,470**
At 31 March 2011							
Cost or valuation	121,500	110,835	26,520	14,975	3,931	8,433	286,194
Accumulated depreciation	–	(75,541)	(24,691)	(11,514)	(2,694)	(6,284)	(120,724)
Net carrying amount	**121,500**	**35,294**	**1,829**	**3,461**	**1,237**	**2,149**	**165,470**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 March 2011, the Group's leasehold land and buildings in Hong Kong were carried at their valuations as at 31 March 2011 which was performed by LCH, an independent firm of professional valuers, on the basis of market value, at HK$25,530,000. 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$5,149,000 was credited to other comprehensive income, and a revaluation surplus of HK$85,000 is recognised in the profit or loss to offset against previous revaluation deficit recognised in the profit of loss.

At 31 March 2011, the Group's leasehold land and buildings outside Hong Kong were carried at their valuations as at 31 March 2011 which was performed by LCH, on the basis of depreciated replacement cost and of market value, at HK$81,760,000 and HK$14,210,000 respectively. For the basis of depreciated replacement cost, it is assumed 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 whereas the same assumption used in valuing the Group's leasehold land and buildings in Hong Kong is applied for the basis of market value. The resulting revaluation surplus amounting to HK$8,757,000 was credited to other comprehensive income.

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$11,179,000 (2010: HK$12,083,000).

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$22,979,000 (2010: HK$24,408,000).

At 31 March 2011, certain of the Group's leasehold land and buildings amounting to HK$18,470,000 (2010: HK$14,850,000) were pledged to secure the bank borrowings and general banking facilities granted to the Group as further detailed in notes 25 and 31 to the financial statements respectively.

Non-separable leasehold land and buildings were carried at their valuations at HK$19,490,000 (2010: HK$15,360,000) are held on medium term leases between 10 to 50 years.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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).

The analysis of the cost or valuation at 31 March 2011 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	–	110,835	26,520	14,975	3,931	8,433	164,694
At valuation	121,500	–	–	–	–	–	121,500
	121,500	110,835	26,520	14,975	3,931	8,433	286,194

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

	Leasehold land and buildings HK$'000 (Restated)	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
At cost	–	110,669	29,114	15,312	3,931	8,187	167,213
At valuation	110,647	–	–	–	–	–	110,647
	110,647	110,669	29,114	15,312	3,931	8,187	277,860

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	
	2011	2010
	HK$'000	HK$'000
Opening net carrying amount	**14,910**	15,670
Effect of adoption of HKAS 17 (Amendment)	**(861)**	(884)
Opening net carrying amount (restated)	**14,049**	14,786
Transfer to non-current assets held for sale	**–**	(372)
Amortisation	**(346)**	(365)
Closing net carrying amount (restated)	**13,703**	14,049

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Outside Hong Kong held on:		
Leases of between 10 to 50 years	**13,703**	14,049

16. INVESTMENT PROPERTY

	Group	
	2011	2010
	HK$'000	HK$'000
Fair value		
At 1 April	**–**	–
Additions	**7,835**	–
Change in fair value	**305**	–
At 31 March	**8,140**	–

The fair value of the Group's investment property at 31 March 2011 has been arrived at on market value basis carried out by LCH. The valuation was arrived at by reference to market evidence of recent market transactions prices for similar properties in the same location and condition.

17. INVESTMENTS IN SUBSIDIARIES

	Group	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**116,995**	116,995

17. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company Direct	Indirect	Principal activities	Place of operations
Cheong Ming (B.V.I.) Enterprises Limited	British Virgin Islands	HK$10,000 ordinary shares	100%	–	Investment holding	Hong Kong
Cheong Ming Investment Enterprises Limited	British Virgin Islands	US$1 ordinary share	100%	–	Investment holding	Hong Kong
Capital Asset Management Limited	Hong Kong	HK$2 ordinary shares	–	100%	Property and investment holding	Hong Kong
Easy Bloom Investment Limited	Hong Kong	HK$1 ordinary share	–	100%	Property 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
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

17. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company Direct	Indirect	Principal activities	Place of operations
Qualiti Printing And Sourcing Limited	Hong Kong	HK$3,750,000 ordinary shares	–	100%	Trading of hangtags, labels and shirt paper boards	Hong Kong
Qualiti UK Inc	United Kingdom	GBP50,000 ordinary shares	–	100%	Provision of packaging solution advisory services	United Kingdom
Qualiti USA Inc	United States of America	US$100,000 ordinary shares	–	100%	Provision of packaging design and sourcing services	United States of America
Harvest King Limited	Hong Kong	HK$2 ordinary shares	–	100%	Trading of hangtags, labels and shirt paper boards	Hong Kong
Peace Broad Holdings Limited	British Virgin Islands	US$1 ordinary share	–	100%	Investment holding	Hong Kong
資浚商務服務（深圳）有限公司	PRC**	Registered capital 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 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 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 RMB5,000,000 (2010: RMB500,000)	–	100%	Manufacture and sale of garment supplementary	PRC

17. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

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

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

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

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

18. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2011	2010
	HK$'000	HK$'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.

18. NON-CURRENT ASSETS HELD FOR SALE (Continued)

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$9,895,000. 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. The transaction was completed in April 2010 and a net gain of HK$3,130,000 was credit to the profit or loss for the year.

19. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**34,214**	33,584
Work in progress	**8,427**	4,689
Finished goods	**8,392**	7,618
	51,033	45,891

20. TRADE RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**78,739**	87,213
Less: Allowance for impairment of receivables	**(2,581)**	(2,660)
Trade receivables – net	**76,158**	84,553

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.

20. TRADE RECEIVABLES (Continued)

At 31 March 2011, the aging analysis of the trade receivables, based on invoiced date and net of allowance, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current to 30 days	**40,737**	41,125
31 to 60 days	**15,133**	17,010
61 days to 90 days	**15,663**	16,244
Over 90 days	**4,625**	10,174
	76,158	84,553

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	
	2011	2010
	HK$'000	HK$'000
Euro	**527**	–
US dollars ("US$")	**24,266**	19,972

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

	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 April	**2,660**	5,463
Allowance for impairment loss of prior year written off against trade receivables	**(178)**	(3,660)
Allowance for impairment loss charged to the profit or loss (included in other operating expenses)	**99**	857
Carrying amount at 31 March	**2,581**	2,660

20. 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 2011, the Group's trade receivables of HK$2,581,000 (2010: HK$2,660,000) 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	
	2011	2010
	HK$'000	HK$'000
Not past due	**61,677**	61,356
Unimpaired but past due		
Not more than 30 days	**10,221**	13,902
31 – 60 days	**2,785**	2,543
61 – 90 days	**1,155**	3,144
Over 90 days	**320**	3,608
	76,158	84,553

As at 31 March 2011, trade receivables of HK$61,677,000 (2010: HK$61,356,000) 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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**4,486**	2,147	**170**	202
Deposits	**3,676**	3,687	**–**	–
Other receivables	**7,789**	6,616	**–**	–
	15,951	12,450	**170**	202
Less: Allowance for impairment of receivables	**(3,758)**	(3,458)	**–**	–
	12,193	8,992	**170**	202

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at 1 April	**3,458**	3,458	**–**	–
Allowance for impairment (including in other operating expenses)	**300**	–	**–**	–
	3,758	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.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong unlisted linked notes	**3,163**	10,145
Hong Kong unlisted debt investments	**36,462**	–
Hong Kong unlisted currency notes	**6,343**	4,800
Hong Kong listed equity investments	**2,650**	9,747
Hong Kong unlisted commodity linked note	**1,579**	–
Overseas listed equity investments	**1,679**	991
Overseas unlisted commodity fund	**–**	1,592
Overseas unlisted fund investments	**11,894**	–
Overseas unlisted debt investments	**8,894**	27,397
Overseas unlisted linked notes	**–**	2,361
Overseas unlisted currency notes	**4,708**	9,189
	77,372	66,222

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 37.7.

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.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash in hand, bank balances, and time deposits with original maturity of less than three months	**101,225**	84,751	**1,584**	1,338
Cash placed at securities brokerage firms	**71,131**	79,670	**–**	–
Time deposits with original maturity of more than three months	**753**	30,000	**–**	–
Cash and cash equivalents per consolidated statement of financial position	**173,109**	194,421	**1,584**	1,338
Less: Time deposits with original maturity of more than three months	**(753)**	(30,000)	**–**	–
Cash and cash equivalents per consolidated cash flow statement	**172,356**	164,421	**1,584**	1,338

The effective interest rate of time deposits, denominated in HK$ and US$, with original maturity of less than three months are 0.001% to 1.15% per annum. They have a maturity of 7 days to 1 month and are eligible for immediate cancellation without receiving any interest for the last deposit period.

23. CASH AND CASH EQUIVALENTS (Continued)

The effective interest rate of time deposits, denominated in HK$, with original maturity of more than three months are 0.11% 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$14,392,000 (2010: HK$11,200,000). 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.

24. TRADE PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade payables	**67,207**	53,565

At 31 March 2011, the aging analysis of the trade payables, based on invoiced date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current to 30 days	**31,955**	25,296
31 to 60 days	**5,571**	12,740
61 to 90 days	**10,275**	7,576
Over 90 days	**19,406**	7,953
	67,207	53,565

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.

25. INTEREST-BEARING BORROWINGS

	Group		
	As at 31 March		As at 1 April
	2011	2010	2009
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Current liabilities			
Bank loans, secured			
– Portion due for repayment within one year	**25,256**	11,700	8,000
– Portion due for repayment after one year which contain a repayment on demand clause	**4,300**	13,500	13,750
	29,556	25,200	21,750

The analysis of bank loans by scheduled repayment is as follows:

	Group		
	As at 31 March		As at 1 April
	2011	2010	2009
	HK$'000	HK$'000	HK$'000
Portion due within one year	**25,256**	11,700	8,000
Portion due for repayment after one year (note)			
After one year but within two years	**4,300**	9,200	7,500
After two years but within five years	**–**	4,300	6,250
	29,556	25,200	21,750

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

25. INTEREST-BEARING BORROWINGS (Continued)

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$18,470,000 as at 31 March 2011, the details are set out in note 14.

Details of the loans are stated below.

	Loan amount HK$'000	**Interest rate**	**Repayment terms**
Loans denominated in HK$	22,500	HIBOR + 1.50% p.a. – HIBOR + 2.00% p.a.	Payable within 5 years
Loans denominated in EUR	7,056	HIBOR + 2.06% p.a.	Payable within 5 years

26. SHARE CAPITAL

	2011 **HK$'000**	2010 HK$'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**	60,675

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

	2011		2010	
	Number of shares	**HK$'000**	Number of shares	HK$'000
At 1 April	**606,753,119**	**60,675**	609,163,826	60,916
Share repurchase	**–**	**–**	(2,410,707)	(241)
At 31 March	**606,753,119**	**60,675**	606,753,119	60,675

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.

27. 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 2011, 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.

28. RESERVES

Group

	2011 HK$'000	2010 HK$'000 (Restated)
Share premium account	**95,120**	95,120
Contributed surplus	**34,080**	34,080
Asset revaluation reserve	**44,783**	40,032
Capital reserve	**9,900**	9,900
Exchange reserve	**(1,220)**	(1,997)
Retained profits	**213,570**	208,857
	396,233	385,992

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.

28. RESERVES (Continued)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2009	95,595	116,795	15,933	228,323
Share repurchase	(675)	–	–	(675)
Share repurchase expenses	–	–	(981)	(981)
Loss for the year	–	–	(717)	(717)
Interim dividend	–	–	(6,068)	(6,068)
Proposed final dividend	–	–	(6,068)	(6,068)
At 31 March 2010 and 1 April 2010	94,920	116,795	2,099	213,814
Profit for the year	–	–	35,888	35,888
Interim dividend	–	–	(6,068)	(6,068)
Special dividend	–	–	(18,202)	(18,202)
Proposed final dividend	–	–	(12,135)	(12,135)
At 31 March 2011	**94,920**	**116,795**	**1,582**	**213,297**

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.

29. 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	Accelerated tax depreciation	Revaluation of properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2009 (as previously reported)	–	3,168	4,429	7,597
Effect of adoption of HKAS 17 (Amendment)	–	–	186	186
Balance at 1 April 2009 (restated)	–	3,168	4,615	7,783
Reallocation to deferred tax assets	–	(189)	–	(189)
Reallocation from deferred tax assets	(3,073)	53	635	(2,385)
Charge/(credit) to profit or loss for the year (note 10)	1,744	(886)	–	858
Charge to other comprehensive income for the year	–	–	1,592	1,592
At 31 March 2010 (restated)	(1,329)	2,146	6,842	7,659
Balance at 1 April 2010 (as previously reported)	(1,329)	2,146	6,451	7,268
Effect of adoption of HKAS 17 (Amendment)	–	–	391	391
Balance at 1 April 2010 (restated)	(1,329)	2,146	6,842	7,659
Reallocation to deferred tax assets	–	(5)	–	(5)
Charge/(credit) to profit or loss for the year (note 10)	303	(1,179)	–	(876)
Charge to other comprehensive income for the year	–	–	2,944	2,944
At 31 March 2011	**(1,026)**	**962**	**9,786**	**9,722**

29. 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 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 profit or loss for the year (note 10)	–	(198)	–	(198)
At 31 March 2010 and 1 April 2010	–	(9)	–	(9)
Reallocation from deferred tax liabilities	–	5	–	5
Credit to profit or loss for the year (note 10)	–	(90)	–	(90)
At 31 March 2011	**–**	**(94)**	**–**	**(94)**

Deferred tax relating to the revaluation of the Group's properties classified under property, plant and equipment 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$7,394,000 (2010: HK$11,019,000) to carry forward against future taxable income. The tax losses of the subsidiaries operating in the PRC amounted to HK$1,901,000 (2010: HK$5,037,000) can be carried forward for 5 years and the tax losses of the subsidiaries operating in Hong Kong amounted to HK$5,493,000 (2010: HK$5,982,000) will not be expired under the current tax legislation.

Deferred tax liabilities of HK$84,000 (2010: HK$30,000) 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$1,682,000 at 31 March 2011 (2010: HK$601,000).

30. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

30.1 Directors' remuneration

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

	Fees	Basic salaries, housing benefits, other allowances and benefits in kind	Discretionary bonus	Pension scheme contribution	Total
	HK$'000	HK$'000	HK$'0000	HK$'000	HK$'000
Year ended 31 March 2011					
Executive directors:					
Mr. Lui Shing Ming, Brian	–	1,680	3,000	356	5,036
Mr. Lui Shing Cheong	–	1,510	2,300	89	3,899
Mr. Lui Shing Chung, Victor	–	1,440	2,300	132	3,872
Independent non-executive directors:					
Dr. Lam Chun Kong	140	–	–	–	140
Mr. Lo Wing Man	140	–	–	–	140
Dr. Ng Lai Man, Carmen	170	–	–	–	170
	450	4,630	7,600	577	13,257

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

30.1 Directors' remuneration (Continued)

	Fees	Basic salaries, housing benefits, other allowances and benefits in kind	Discretionary bonus	Pension scheme contribution	Total
	HK$'000	HK$'000	HK$'0000	HK$'000	HK$'000
Year ended 31 March 2010					
Executive directors:					
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
Independent non-executive directors:					
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: 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.

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

30.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2010: three) directors, details of their emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2010: two) employees are as follows:

	2011	2010
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**2,642**	2,810
Pension scheme contribution	**24**	24

	Number of individuals	
	2011	2010
Emolument bands		
HK$1,000,001 – HK$1,500,000	**2**	2

31. BANKING FACILITIES

At 31 March 2011, general banking facilities available to the Group amounted to HK$267,275,000 (2010: HK$282,650,000). The banking facilities utilised by the Group amounted to HK$29,756,000 (2010: HK$25,440,000) as at 31 March 2011.

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 32).

32. FINANCIAL GUARANTEES

At 31 March 2011, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK$157,700,000 (2010: HK$187,700,000) (note 31).

33. CAPITAL COMMITMENTS

(a) On 26 March 2011, the Group entered into an acquisition agreement (the "Agreement") with Fullpower Investment Holdings Corporation ("Fullpower") for an acquisition of 25% of the issued share capital of Suntap Enterprises Limited ("Suntap") for a total consideration of HK$65,252,800 subject to certain conditions precedent to completion of the transaction. The consideration payable to Fullpower is to be satisfied by HK$41,000,000 in cash and by way of the issue and allotment by the Company of 28,600,000 shares at HK$0.848 per share totalling HK$24,252,800.

As of the reporting date, the Company had paid two refundable deposits in an aggregate of HK$28,000,000 pursuant to a memorandum of understanding and the Agreement signed by the parties. The Company is obliged to pay the remaining consideration of HK$13,000,000 in cash upon the completion date and HK$24,252,800 by way of issue and allotment of new shares no later than 31 August 2011 subject to the receipt of a renewed exploration license for coalbed methane gas projects in the PRC invested by a subsidiary of Suntap.

Details of the acquisition are laid out in the announcement made by the Company on 28 March 2011.

(b) Other assets

	Group	
	2011	2010
	HK$'000	HK$'000
Acquisition of property, plant and equipment		
– contracted for	**1,356**	–
Acquisition of an investment property		
– contracted for	**7,204**	–

34. OPERATING LEASE ARRANGEMENTS

At 31 March 2011, the Group had total future minimum lease receivables in respect of properties under non-cancellable operation operating leases as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**114**	109
In the second to fifth years, inclusive	**199**	300
	313	409

The Company does not have any minimum lease receipts under non-cancellable operating leases at the reporting date (2010: Nil).

35. OPERATING LEASE COMMITMENTS

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

At 31 March 2011, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2011		2010	
	Land and buildings	**Other assets**	Land and buildings	Others assets
	HK$'000	**HK$'000**	HK$'000	HK$'000
Within one year	**7,218**	**601**	7,593	589
In the second to fifth years, inclusive	**2,222**	**961**	8,805	1,509
After five years	**11,295**	**–**	11,485	–
	20,735	**1,562**	27,883	2,098

The Company did not have any significant operating lease commitments under non-cancellable operating leases at the reporting date (2010: Nil).

36. 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 30 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.

37. 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.

37.1 Categories of financial assets and liabilities

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss	**77,372**	66,222	**–**	–
Loans and receivables:				
– Trade receivables	**76,158**	84,553	**–**	–
– Deposits and other receivables	**7,654**	6,460	**–**	–
– Amount due from subsidiaries	**–**	–	**173,648**	166,496
Cash and cash equivalents	**173,109**	194,421	**1,584**	1,338
	334,293	351,656	**175,232**	167,834

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.1 Categories of financial assets and liabilities (Continued)

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade payables	**67,207**	53,565	**–**	–
– Accrued liabilities and other payables	**19,938**	15,411	**3,542**	2,224
– Amounts due from subsidiaries	**–**	–	**2,247**	2,250
– Interest-bearing borrowings	**29,556**	25,200	**–**	–
	116,701	94,176	**5,789**	4,474

37.2 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.2 Foreign currency risk (Continued)

(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 2011 and 2010 were as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Net financial assets/(liabilities)		
RMB	**28,665**	33
US$	**170,505**	177,236

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

At 31 March 2011, the Group was exposed to the foreign currency fluctuation of RMB through its cash and cash equivalent of HK$5,371,000 and financial assets at fair value through profit or loss of HK$23,294,000. The director considers that any potential possible change in foreign exchange 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.2 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 22 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):

	Group	
	2011	2010
	HK$'000	HK$'000
Increase/(Decrease) in net profit for the year		
Change in foreign currency rates		
+ 10%	**2,032**	1,316
– 10%	**(1,741)**	(1,210)

37.3 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 equivalents of the Group are disclosed in notes 25 and 23 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.3 Cash flow and fair value interest rate risk (Continued)

Cash flow interest rate risk sensitivity

At 31 March 2011, the Group was exposed to change in market interest through its bank borrowings and bank balances of HK$29,556,000 (2010: HK$25,200,000) and HK$112,963,000 (2010: HK$124,661,000) 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 2011, 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 2011. All other variables are held constant.

	Group	
	2011	2010
	HK$'000	HK$'000
Increase/(Decrease) in net profit for the year		
If interest rates were 5% higher	**(786)**	(896)
If interest rates were 5% lower	**919**	746

37.4 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.4 Other price risk (Continued)

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 22. Management's best estimate of the effect on the Group's profit after tax as a result of a reasonably possible change in the market price of the equity securities and the underlying equity securities of the derivative financial instruments, with all other variables held constant, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Group	
	2011	2010
	HK$'000	HK$'000
Increase/(Decrease) in net profit for the year		
Market price of equity securities		
+ 10%	**445**	1,291
– 10%	**(553)**	(1,643)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.5 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 set out in note 37.1 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.6 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 2011. 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$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 March 2011					
Trade payables	–	47,801	19,406	67,207	67,207
Other payables	2,106	–	–	2,106	2,106
Accrued liabilities	17,832	–	–	17,832	17,832
Interest-bearing borrowings	29,556	–	–	29,556	29,556
Total	49,494	47,801	19,406	116,701	116,701
At 31 March 2010 (restated)					
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	25,200	–	–	25,200	25,200
Total	40,611	45,612	7,953	94,176	94,176

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.6 Liquidity risk (Continued)

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the above analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity analysis – bank loans subject to repayment on demand clause based on scheduled repayments

	1-3 months	4-6 months	7-9 months	10-12 months	Over 1 year	Total contractual undiscounted cash flow
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2011	18,411	2,321	2,317	2,312	4,312	29,673
At 31 March 2010	3,108	3,101	3,093	2,586	13,604	25,492

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.6 Liquidity risk (Continued)

Company

	Repayable on demand HK$'000	1-3 months HK$'000	4-6 months HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 March 2011					
Other payables	37	–	–	37	37
Accrued liabilities	3,505	–	–	3,505	3,505
Amount due to subsidiaries	2,247	–	–	2,247	2,247
Total	5,789	–	–	5,789	5,789
Financial guarantees issued					
Maximum amount guaranteed	29,556	–	–	29,556	–
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 (restated)	25,200	–	–	25,200	–

The Group and the Company enjoyed a healthy financial position as at 31 March 2011, with cash and cash equivalents amounting to HK$173,109,000 and HK$1,584,000, a decrease from HK$194,421,000 and an increase from HK$1,338,000 as at 31 March 2010.

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.6 Liquidity risk (Continued)

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.

37.7 Fair value

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 entirely is based on the lowest level of input that is significant to the fair value measurement.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

37.7 Fair value (Continued)

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							
	Level 1		Level 2		Level 3		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets								
Listed securities held for trading	**4,329**	10,738	**–**	–	**–**	–	**4,329**	10,738
Unlisted securities held for trading	**57,705**	28,988	**15,338**	26,496	**–**	–	**73,043**	55,484
Total fair values	**62,034**	39,726	**15,338**	26,496	**–**	–	**77,372**	66,222

The fair values of the listed investments are determined based on the quoted bid prices on regulated exchange markets. The fair values of the unlisted debt investments and unlisted fund investment 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 currency notes and unlisted linked 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 uncharged compared to the previous year.

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

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

	Group	
	31 March 2011	31 March 2010
	HK$'000	HK$'000
		(Restated)
Total borrowings	**29,556**	25,200
Total equity	**469,043**	452,735
Gearing ratio	**6%**	6%

39. EVENT AFTER REPORTING DATE

Referring to note 33(a) above, subsequent to the reporting date, all the conditions precedent stipulated in the Agreement have been fulfilled and the acquisition of the 25% issued capital of Suntap has been completed on 26 April 2011. Suntap has become an associate of the Group since that date.