



CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

A n n u a l R e p o r t

2012

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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 AUDITOR

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>

CHAIRMAN'S STATEMENT

RESULTS

The Group recorded a total revenue of approximately HK\$503.8 million and loss attributable to equity holders of approximately HK\$11.5 million for the year ended 31 March 2012. Basic loss per share was HK1.84 cents, based on the weighted average of 624,413,228 shares in issue during the year.

DIVIDENDS

The Directors recommended the payment of final dividend of HK2 cents (2011: HK2 cents) per share for the year ended 31 March 2012 to all shareholders whose name appear on the register of members of the Company on Wednesday, 22 August 2012, which is expected to be paid on or before Friday, 7 September 2012. No interim dividend (2011: HK1 cent per share) and special dividend (2011: HK3 cents per share) have been recommended this year. Total dividend for the year amount to HK2 cents (2011: HK6 cents) per share.

BUSINESS REVIEW AND DISCUSSION

General Review

The year 2012 remained a year of challenges and volatility. The Group recorded a total revenue of approximately HK\$503.8 million, which represented an decrease of about 2.6% to that of last year of approximately HK\$517.4 million. Gross profit margin of the Group was 22.6% for the year under review, having deteriorated when compared to 28.0% of the previous year. The Group recorded a loss attributable to equity holders of approximately HK\$11.5 million for the year as compared with a profit attributable to equity holders of HK\$34.9 million last year. The loss was mainly resulted from the impairment loss arising from investment in an associated company engaging in the development of coalbed methane projects in Shaanxi and Shanxi of approximately HK\$16.0 million and the increase in raw materials cost and labour cost in China which adversely affected the profitability of the Group's major business operating segment in manufacture and sales of packaging boxes and children's novelty books.

Business Operation

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\$415.9 million from this major business segment, which decreased by about 2.9% compared to that of last year of HK\$428.2 million. The profit from this segment decreased from HK\$27.8 million last year to approximately breakeven this year. The decrease in turnover was primarily due to the reduction in orders from customers because of the volatile export market in US and Europe. Moreover, the increase in raw materials cost, especially the rising in commodity price, and labour cost in China adversely affected the overall segment result. As a result, our gross profit in this major business segment decreased to 15% compared with 22% in the previous year.

CHAIRMAN'S STATEMENT

The Group's revenue from manufacture and distribution of hangtags, labels, shirt paper boards and plastic bags decreased by 19.0% to approximately HK\$25.1 million for the year under review as compared to that of last year of HK\$30.9 million. The loss from this segment increased to HK\$1.0 million as compared to HK\$0.5 million last year.

The Group's commercial printing business was slightly improved by the increase in turnover resulting from increase in customer base. The revenue generated in this segment increased from HK\$58.3 million to HK\$62.8 million while the profit from this segment slightly increased to HK\$4.3 million as compared to HK\$4.2 million last year.

The Group's financial assets recorded a loss of approximately HK\$3.7 million during the year compared to a gain of approximately HK\$4.4 million last year.

Investment in Suntap Enterprises Limited

Subsequent to the completion of the acquisition of 25% interest in Suntap Enterprises Limited ("Suntap"), though the exploration and drilling work particularly in Shanxi Xiahuangyan has been made due progress, the Group has been informed that for the purpose of accelerating the scale of exploration of the CBM projects, additional shareholders' fundings are required to be provided. Having regard to the tightened liquidity in the capital market and the relatively weak market sentiment, and with a view to preserving the cash resources of the Group, the Group considered to take a prudent investment approach and issued a demand notice for repayment of the shareholder's loan of RMB20.0 million. The Group on 30 March 2012 received a notice from Fullpower exercising the right to repurchase the 25% interest in Suntap, together with the shareholder's loan, from the Group at a total price of HK\$65.0 million in accordance with the terms of the acquisition agreement (the "Repurchase"). Accordingly, the Group recorded an impairment loss on its investments in Suntap of approximately HK\$16.0 million during the year.

Fair value of non-current assets held for sale

For the consolidated financial statements of the Company for the year ended 31 March 2012, the independent auditor of the Company has issued a qualified opinion in respect of the carrying amount of the 25% interest in Suntap, together with the shareholder's loan (collectively, the "Disposal Asset"). The basis for qualified opinion (including, among other things, the consequential effect of any adjustments found to be necessary on the carrying amount of Disposal Asset) and the qualified opinion arising from limitation of scope is set out in the Independent Auditor's Report on pages 24 to 26 of this annual report. The said qualified opinion includes basis that as Fullpower has not yet secured committed funds to finance the Repurchase as the loan agreement with its finance lender is not completed and signed at the date of the independent auditor's report. Consequently, it is uncertain that the sale of the Disposal Asset will be realised at the repurchase price of HK\$65.0 million. Consequently, the independent auditor has expressed that they were unable to determine whether any adjustment to the carrying amount of the Disposal Asset in the consolidated statement of financial position of the Company of HK\$65.0 million as at 31 March 2012 and the amount of the impairment loss in the consolidated income statement of the Company of HK\$16.0 million for the year ended 31 March 2012 were fairly stated.

CHAIRMAN'S STATEMENT

In this respect, the Company's view on the carrying amount of the Disposal Asset is set out in note 19(a) to the financial statements. Although the completion date of the Repurchase was further extended to 31 July 2012, the Company has been informed by Fullpower that an independent financier has indicated to Fullpower that the said financier is willing to provide a loan to a shareholder of Fullpower amounting to HK\$290.0 million of which HK\$65.0 million will be designated for direct settlement of the Repurchase consideration upon fulfillment of certain prerequisites and finalisation of the terms of the loan agreement. The relevant loan agreement is expected to be signed on 15 July 2012. Although the said financing arrangements of Fullpower are subject to certain prerequisites and signing of the relevant agreement with the said financier, taking consideration of this, the Company is of the view that it is probable that the Repurchase would be completed on or before 31 July 2012. On this basis, the directors of the Company consider that the carrying amount of HK\$65.0 million (which is the Repurchase price) of the Disposal Asset is representative of the fair value of it to the Company.

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 2012 amounted to approximately HK\$124.8 million. Its gearing ratio as at 31 March 2012 was 5.7% (2011: 6.3%), based on the interest-bearing bank borrowings of approximately HK\$29.1 million (2011: HK\$29.6 million) and total equity of the Group of HK\$508.8 million (2011: HK\$469.0 million). The directors consider that the Group's cash holding, liquid assets, future revenue and available facilities will be sufficient to fulfill the present working capital requirements of the Group.

Exchange Rate Exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 March 2012, 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 2012, corporate guarantees amounting to approximately HK\$179.7 million (2011: HK\$157.7 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\$37.1 million (2011: HK\$18.5 million).

CHAIRMAN'S STATEMENT

PROSPECTS

Looking forward, it is expected that the operating environment in the printing and packaging 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. The intense competition in the printing and packaging industry also limit the Group to pass the inflating cost to customers. 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 labour and raw materials will limit the effect of cost control measures.

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

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2012, the Group had a total workforce of approximately 1,170, of whom approximately 1,022 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 2012.

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, 28 June 2012

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

EXECUTIVE DIRECTORS

Mr. Lui Shing Ming, Brian, aged 52, 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 58, 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 49, 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 60, 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 Dairy (NZ) Holdings Limited (Stock Code: 462) until 8 April 2008. Dr. Lam joined the Group in 1996.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Lo Wing Man JP, aged 58, 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 47, 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 1010 Printing Group Limited (Stock Code: 1127), Goldin Properties Holdings Limited (formerly known as Matsunichi Communication Holdings Limited) (Stock Code: 283) and eSun Holdings Limited (Stock Code: 571), the companies whose shares are listed on the Stock Exchange. Dr. Ng joined the Group in 2004.

SENIOR MANAGEMENT

Mr. Yuen Hung, aged 77, 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 67, 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 51, 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 47, 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.

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

SENIOR MANAGEMENT (Continued)

Mr. Tsang Chin Pang, aged 33, 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 46, 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 55, 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 46, 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 51, is a Sales and Marketing Manager of the Group. He has more than 18 years of experience in the book printing and paper products industry. He joined the Group in 1998.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2012.

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 2012 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 27 to 116.

For the year ended 31 March 2011, an interim dividend of HK1 cent per share, a special dividend of HK3 cents per share and a final dividend of HK2 cents per share, amounting to an aggregate of approximately HK\$36,405,000 was paid in cash in December 2010 and September 2011.

No interim dividend has been declared during the year. The Directors recommend the payment of a final dividend of HK2 cents per share, amounting to approximately HK\$12,707,000 in respect of the year ended 31 March 2012 to all shareholders whose name appear on the register of members of the Company on Wednesday, 22 August 2012, which is expected to be paid on or before Friday, 7 September 2012.

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 result for the year ended 31 March 2008 has 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.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION (Continued)

Results

	Year ended 31 March				
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	503,780	517,409	458,680	519,638	648,730
(Loss)/Profit from operations	(7,662)	40,742	19,890	(5,956)	51,832
Finance costs	(882)	(816)	(977)	(1,970)	(3,047)
Share of loss of associates	(56)	–	–	–	–
(Loss)/Profit before income tax	(8,600)	39,926	18,913	(7,926)	48,785
Income tax (expense)/credit	(2,874)	(5,019)	(3,201)	1,323	(6,687)
(Loss)/Profit for the year attributable to the equity holders of the Company	(11,474)	34,907	15,712	(6,603)	42,098

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and Liabilities

	As at 31 March				
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)	2008 HK\$'000
Property, plant and equipment	169,826	165,470	158,491	179,272	187,132
Investment properties	86,570	8,140	–	–	460
Prepaid lease payments	2,810	13,703	14,049	14,786	16,071
Deferred tax assets	233	94	9	2,385	–
Deposits paid	–	40,027	–	–	–
Current assets	402,713	390,188	407,517	355,233	424,609
Total assets	662,152	617,622	580,066	551,676	628,272
Current liabilities	98,835	109,301	94,472	84,225	140,766
Interest-bearing borrowings	29,117	29,556	25,200	21,750	17,837
Deferred tax liabilities	25,376	9,722	7,659	7,783	7,961
Total liabilities	153,328	148,579	127,331	113,758	166,564
Net assets	508,824	469,043	452,735	437,918	461,708

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 properties 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 27 and 28, respectively, to the financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to 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 29 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 2012 are set out in note 29 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 12% of the Group's total turnover.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 49% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 19% 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.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

Mr. Lui Shing Ming, Brian

Mr. Lui Shing Cheong

Mr. Lui Shing Chung, Victor

Independent non-executive directors:

Dr. Lam Chun Kong

Mr. Lo Wing Man

Dr. Ng Lai Man, Carmen

Mr. Lui Shing Ming, Brian and Mr. Lui Shing Cheong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

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.

REPORT OF THE DIRECTORS

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

As at 31 March 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of director	Number of shares held				Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	
Mr. Lui Shing Ming, Brian	5,468,750	–	320,475,286 (Note 1)	325,944,036	51.30%
Mr. Lui Shing Cheong	3,906,250	–	320,475,286 (Note 1)	324,381,536	51.06%
Mr. Lui Shing Chung, Victor	3,906,250	1,562,500 (Note 2)	320,475,286 (Note 1)	325,944,036	51.30%

Notes:

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

REPORT OF THE DIRECTORS

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

Save as disclosed above, as at 31 March 2012, 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 2012, 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	320,475,286 (Note 1)	50.44%
Madam Ng Sze Mui	Founder of a discretionary trust	320,475,286 (Note 1)	50.44%
Madam Ng Shuk Fong, Aman	Beneficial owner and interest of spouse	325,944,036 (Note 2)	51.30%
Harmony Link Corporation	Beneficial owner	320,475,286	50.44%
The Lui Family Company Limited	Trustee	320,475,286 (Note 3)	50.44%
Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited")	Trustee	320,475,286 (Note 3)	50.44%

REPORT OF THE DIRECTORS

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 324,381,536 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 2012, 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

The Group's share option scheme was adopted on 5 September 2002 and is effective for a period of ten years. As as 31 March 2012, no share options had been granted under the scheme.

Details of the Company's share option schemes are stated in note 28 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.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 19 to 23.

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.

AUDITOR

The financial statements for the year ended 31 March 2010 was 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 years ended 31 March 2011 and 2012 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.

For and on behalf of the Board

Lui Shing Ming Brian

Chairman

Hong Kong, 28 June 2012

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied 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 2012 except for the deviation from Code provision A.4.1 in that the non-executive directors were not appointed for a specific term and Code provision A.5.1 in that no nomination committee has been established. 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 and the procedures for shareholders to elect a director has properly published in the Company’s website, 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 2012.

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 6 times during the year ended 31 March 2012. Its composition and the attendance of individual directors at these board meetings were follows:

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

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

CORPORATE GOVERNANCE REPORT

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 2012, 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.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first 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 2012, 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 auditor about their financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the year ended 31 March 2012.

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 2012 on areas where rooms for improvement were identified.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 March 2012, fees paid/payable to the Company's external auditor for audit services totalled HK\$880,000, compared with HK\$813,000 in the previous year. For non-audit services, the fees amounted to HK\$120,000, compared with HK\$115,000 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 2012 interim results	100
– Review on announcement of 2012 annual results	20
	<hr/>
	120
	<hr/>

AUDIT COMMITTEE

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

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

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

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the directors are available at annual general meetings to address shareholders' queries;
2. separate resolutions are proposed at general meetings on each substantially separate issue to facilitate the enforcement of shareholders' rights. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the 2012 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.

INDEPENDENT AUDITOR'S REPORT



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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 27 to 116, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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.

BDO Limited

BDO Limited, a Hong Kong Limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

INDEPENDENT AUDITOR'S REPORT

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 qualified audit opinion.

BASIS FOR QUALIFIED OPINION

As stated in notes 18(a) and 19(a) to the consolidated financial statements, the Group had classified the 25% equity interest (the "Interest") in and the loan (the "Loan") to an associate, Suntap Enterprises Ltd., of approximately HK\$56.4 million and approximately HK\$24.6 million, respectively, as a disposal group held for sale in the consolidated statement of financial position as at 31 March 2012. An impairment loss of approximately HK\$16 million was recognised in the consolidated income statement for the year resulting in a net aggregate carrying amount of the Interest and the Loan of HK\$65 million as at 31 March 2012.

In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", a disposal group classified as held for sale should be recognised at the lower of its carrying amount and its fair value less costs to sell.

We were unable to satisfy ourselves that the disposal group is properly stated at its fair value less costs to sell. The fair value less costs to sell of the disposal group has been determined based on the agreed repurchase consideration of HK\$65 million. The repurchase consideration was negotiated as part of the original acquisition agreement on 26 March 2011 and is not a current price. It represents the cash portion of the consideration paid by the Group to Fullpower Investment Holdings Corp. ("Fullpower") in exchange for the Interest and the Loan but excludes the value of the share portion of the consideration for the acquisition. In addition, Fullpower has not yet secured committed funds to finance the repurchase as the loan agreement with its finance lender is not completed and signed at the date of this report. Consequently, it is uncertain that the sale of the disposal group will be realised at the repurchase price. These factors taken together indicate that the repurchase consideration may not be representative of the fair value of the disposal group as at 31 March 2012. There was no alternative evidence available to us to determine the fair value of the disposal group as the operations of the associate are at an early stage of exploration. Consequently, we are unable to determine whether any adjustment to the carrying amount of the disposal group in the consolidated statement of financial position of HK\$65 million as at 31 March 2012 is necessary and the amount of the impairment loss in the consolidated income statement of HK\$16 million for the year ended 31 March 2012 was fairly stated.

INDEPENDENT AUDITOR'S REPORT

There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the carrying amount of the disposal group and the amount of the impairment loss were free from material misstatement. Any adjustment found to be necessary may have a consequential effect on the Group's net assets as at 31 March 2012 and the Group's net loss for the year ended 31 March 2012, and the related disclosures thereof in the consolidated financial statements of the Group.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, 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 2012 and of the Group's loss 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, 28 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Revenue	6	503,780	517,409
Cost of sales		(390,118)	(372,614)
Gross profit		113,662	144,795
Other operating income	7	11,032	14,518
Selling and distribution costs		(12,924)	(12,748)
Administrative expenses		(94,576)	(96,889)
Other operating expenses		(24,856)	(8,934)
(Loss)/Profit from operations	8	(7,662)	40,742
Finance costs	9	(882)	(816)
Share of loss of associates	18	(56)	–
(Loss)/Profit before income tax		(8,600)	39,926
Income tax expense	10	(2,874)	(5,019)
(Loss)/Profit for the year attributable to the equity holders of the Company	11	(11,474)	34,907
(Loss)/Earnings per share for (loss)/profit for the year attributable to the equity holders of the Company	13		
– Basic		(HK1.84 cents)	HK5.75 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 2012

	Notes	2012 HK\$'000	2011 HK\$'000
(Loss)/Profit for the year		(11,474)	34,907
Other comprehensive income:			
Exchange gain on translation of financial statements of foreign operations		838	777
Share of other comprehensive income of an associate	18	137	–
Revaluation surplus on properties transferred from property, plant and equipment and prepaid lease payments to investment properties		43,370	–
Deferred tax charge arising from revaluation surplus on properties transferred from property, plant and equipment and prepaid lease payments to investment properties		(10,843)	–
Revaluation surplus on leasehold land and buildings		18,960	13,906
Deferred tax charge arising from revaluation surplus on leasehold land and buildings		(4,402)	(2,944)
Other comprehensive income for the year, net of tax		48,060	11,739
Total comprehensive income attributable to the equity holders of the Company		36,586	46,646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	169,826	165,470
Prepaid lease payments	15	2,810	13,703
Investment properties	16	86,570	8,140
Deposits paid for acquisition of property, plant and equipment		–	11,226
Deposit paid for acquisition of an investment property		–	801
Interest in associates	18	–	–
Deposits paid for investment in an associate	18(a)	–	28,000
Deferred tax assets	30	233	94
		259,439	227,434
Current assets			
Inventories	20	30,458	51,033
Trade receivables	21	93,324	76,158
Amount due from an associate	18(c)	933	–
Prepayments, deposits and other receivables	22	12,957	12,193
Financial assets at fair value through profit or loss	23	74,491	77,372
Cash and cash equivalents	24	124,759	173,109
Tax receivable		791	323
		337,713	390,188
Non-current assets held for sale	19	65,000	–
		402,713	390,188
Current liabilities			
Trade payables	25	58,820	67,207
Accrued liabilities and other payables		32,467	31,359
Interest-bearing borrowings	26	29,117	29,556
Tax payable		7,548	10,735
		127,952	138,857

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Net current assets		274,761	251,331
Total assets less current liabilities		534,200	478,765
Non-current liabilities			
Deferred tax liabilities	30	25,376	9,722
Net assets		508,824	469,043
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	27	63,535	60,675
Reserves	29	432,582	396,233
Proposed dividend	12	12,707	12,135
Total equity		508,824	469,043

On behalf of the Board

LUI SHING MING, BRIAN
Director

LUI SHING CHUNG, VICTOR
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	132,325	116,995
Current assets			
Amounts due from subsidiaries	17(b)	172,816	173,648
Prepayments, deposits and other receivables	22	170	170
Cash and cash equivalents	24	1,731	1,584
Tax recoverable		666	–
		175,383	175,402
Current liabilities			
Amounts due to subsidiaries	17(b)	2,319	2,247
Accrued liabilities and other payables		2,953	3,542
Tax payable		–	501
		5,272	6,290
Net current assets		170,111	169,112
Net assets		302,436	286,107
EQUITY			
Share capital	27	63,535	60,675
Reserves	29	226,194	213,297
Proposed dividend	12	12,707	12,135
Total equity		302,436	286,107

On behalf of the Board

LUI SHING MING, BRIAN
Director

LUI SHING CHUNG, VICTOR
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 March 2012

	2012 HK\$'000	2011 HK\$'000
Cash flows from operating activities		
(Loss)/Profit before income tax	(8,600)	39,926
Adjustments for:		
Finance costs	882	816
Interest income	(4,050)	(3,568)
Dividend income from financial assets at fair value through profit or loss	(589)	(530)
Loss/(Gain) on disposal of financial assets at fair value through profit or loss	1,729	(3,278)
Gain on disposal of property, plant and equipment	(161)	(1,210)
Gain on disposal of non-current assets held for sale	–	(3,130)
Impairment loss on non-current assets held for sale	16,043	–
Impairment loss on amount due from an associate	67	–
Share of loss of associates	56	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	1,971	(1,131)
Provision for slow moving inventories	418	4,769
Depreciation of property, plant and equipment	15,400	14,543
Amortisation of prepaid lease payments for land	237	346
Revaluation surplus on leasehold land and buildings	(20)	(85)
Revaluation surplus on investment properties	(2,423)	(305)
Impairment loss on property, plant and equipment	4,628	–
Write off of property, plant and equipment	–	3,766
(Reversal of)/Allowance for impairment on trade receivables	(804)	99
Allowance for impairment on other receivables	–	300
Operating profit before working capital changes	24,784	51,328
Decrease/(Increase) in inventories	20,157	(9,911)
(Increase)/Decrease in trade receivables	(16,362)	8,296
Increase in prepayments, deposits and other receivables	(764)	(3,501)
Increase in financial assets at fair value through profit or loss	(819)	(6,741)
(Decrease)/Increase in trade payables	(8,387)	13,642
Increase/(Decrease) in accrued liabilities and other payables	1,108	(870)
Cash generated from operations	19,717	52,243
Interest received	4,050	3,568
Interest paid	(882)	(816)
Dividend received from financial assets at fair value through profit or loss	589	530
Net income tax paid	(6,259)	(3,578)
Net cash generated from operating activities	17,215	51,947

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 March 2012

	Note	2012 HK\$'000	2011 HK\$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(8,183)	(11,324)
Purchases of investment properties		(7,175)	(7,835)
Acquisition of interest in an associate		(13,000)	–
Loan to an associate		(24,630)	–
Capital contribution to an associate		(2)	–
Increase in amount due from an associate		(1,000)	–
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)
(Increase)/Decrease in time deposits with original maturity of more than three months		(1)	29,247
Proceeds from disposal of property, plant and equipment		161	1,237
Proceeds from disposal of non-current assets held for sale		–	9,895
Net cash used in investing activities		(53,830)	(18,807)
Cash flows from financing activities			
Dividends paid		(12,135)	(30,338)
Repayment of bank loans		(95,675)	(35,700)
Borrowing of bank loans		95,236	40,056
Net cash used in financing activities		(12,574)	(25,982)
Net (decrease)/increase in cash and cash equivalents		(49,189)	7,158
Cash and cash equivalents at beginning of year		172,356	164,421
Effect of foreign exchange rate changes		838	777
Cash and cash equivalents at end of year	24	124,005	172,356

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Equity attributable to equity holders of the Company								
	Share			Asset			Retained profits	Proposed dividend	Total equity
	Share capital	premium account	Contributed surplus	revaluation reserve	Capital reserve	Exchange reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2010	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Equity attributable to equity holders of the Company								
	Share			Asset			Retained profits	Proposed dividend	Total equity
	Share capital	premium account	Contributed surplus	revaluation reserve	Capital reserve	Exchange reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2011	60,675	95,120	34,080	44,783	9,900	(1,220)	213,570	12,135	469,043
Final 2011 dividend paid	-	-	-	-	-	-	-	(12,135)	(12,135)
Issue of shares for the acquisition of interest in an associate	2,860	12,470	-	-	-	-	-	-	15,330
Transactions with owners	2,860	12,470	-	-	-	-	-	(12,135)	3,195
Loss for the year	-	-	-	-	-	-	(11,474)	-	(11,474)
Other comprehensive income									
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	838	-	-	838
Share of other comprehensive income of an associate	-	-	-	-	-	137	-	-	137
Revaluation surplus on properties transferred from property, plant and equipment and prepaid lease payments to investment properties	-	-	-	43,370	-	-	-	-	43,370
Deferred tax charge arising from revaluation surplus on properties transferred from property, plant and equipment and prepaid lease payments to investment properties	-	-	-	(10,843)	-	-	-	-	(10,843)
Revaluation surplus on leasehold land and buildings	-	-	-	18,960	-	-	-	-	18,960
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	-	-	-	(4,402)	-	-	-	-	(4,402)
Total comprehensive income for the year	-	-	-	47,085	-	975	(11,474)	-	36,586
Proposed 2012 final dividend	-	-	-	-	-	-	(12,707)	12,707	-
At 31 March 2012	63,535	107,590	34,080	91,868	9,900	(245)	189,389	12,707	508,824

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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(a) 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 2012 were approved by the board of directors on 28 June 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 27 to 116 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 properties, financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

All values are rounded to the nearest thousand except when otherwise indicated.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Investment properties are properties 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 properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

2.7 Leases

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

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

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

- 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 2.6); 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 2.5). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Leases (Continued)

(b) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in 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.

(c) *Operating lease charges as the lessee*

Where the Group has the right to 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

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

The Group's financial assets mainly include cash and cash equivalents, trade receivables, amount due from an associate, deposits, other receivables, and financial assets at fair value through profit or loss. Trade receivables, amount due from an associate, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

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

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

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Impairment of financial assets (Continued)

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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Property, plant and equipment, prepaid lease payments, and the Company's interests in subsidiaries and the Group's interests in associates 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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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.

2.14 Retirement benefit costs and short term employee benefits

(a) Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity attributable to equity holders of the Company of the 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.

2.18 Recognition of revenue

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Financial guarantees issued

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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 interest in associates, deposits for investment in an associate, investment properties, deposits for acquisition of an investment property, amount due from an associate, financial assets at fair value through profit or loss, bank balances and cash, tax receivable, deferred tax assets and non-current assets held for sale which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

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

No asymmetrical allocations have been applied to reportable segments.

2.21 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 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 2011

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 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Other than as noted below, the adoption of the new or amended HKFRSs has no material impact on the Group's financial statements.

HKFRS 7 (Amendments) – Financial Instruments: Disclosures

As part of the improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

Adoption of new or amended HKFRSs effective on or after 1 April 2011 (Continued)

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no amendment in the disclosures of its related party transactions in the current and comparable periods is required. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2009-2011 ⁴
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets ¹ Disclosures – Offsetting Financial Assets and Financial Liabilities ⁴
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ³
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets ²
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities ⁵
HKFRS 9	Financial Instruments ⁶
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

- ¹ Effective for annual periods beginning on or after 1 July 2011
- ² Effective for annual periods beginning on or after 1 January 2012
- ³ Effective for annual periods beginning on or after 1 July 2012
- ⁴ Effective for annual periods beginning on or after 1 January 2013
- ⁵ Effective for annual periods beginning on or after 1 January 2014
- ⁶ Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that may have impact to the Group is as follows:

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors of the Company anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group’s investment properties. The directors of the Company are in the process of assessing the impact on application of these amendments to HKAS 12 and the directors of the Company anticipate that these amendments will have an impact on deferred tax liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 “Financial Instruments: Recognition and Measurement”. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current de-recognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

The Group’s leasehold land and buildings and investment properties were stated at fair value in accordance with the accounting policies stated in notes 2.5 and 2.6 to the financial statements respectively. The fair value of the leasehold land and buildings and investment properties 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

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

In making the judgement, reasonable consideration has been given to the underlying assumptions. For certain leasehold land and buildings and investment properties 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 2.20.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Reportable segment revenue:										
Sales to external customers	415,898	428,165	25,052	30,938	62,830	58,306	-	-	503,780	517,409
Intersegment sales	7,323	7,596	25	1,339	271	320	(7,619)	(9,255)	-	-
Total	423,221	435,761	25,077	32,277	63,101	58,626	(7,619)	(9,255)	503,780	517,409
Reportable segment results	41	27,828	(1,020)	(496)	4,292	4,191	-	-	3,313	31,523
Unallocated income:										
Interest income									4,050	3,568
Rental income on investment properties									1,839	-
Dividend income from financial assets at fair value through profit or loss									589	530
Fair value (loss)/gain on financial assets at fair value through profit or loss									(1,971)	1,131
(Loss)/Gain on disposal of financial assets at fair value through profit or loss									(1,729)	3,278
Gain on disposal of non-current assets held for sale									-	3,130
Impairment loss on amount due from an associate									(67)	-
Impairment loss on non-current assets held for sale									(16,043)	-
Revaluation surplus on investment properties									2,423	305
Unallocated expenses									(66)	(2,723)
(Loss)/Profit from operations									(7,662)	40,742
Finance costs									(882)	(816)
Share of loss of associates									(56)	-
(Loss)/Profit before income tax									(8,600)	39,926
Income tax expense									(2,874)	(5,019)
(Loss)/Profit for the year									(11,474)	34,907

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Reportable segment assets	282,933	296,493	3,969	6,507	20,554	26,783	307,456	329,783
Unallocated assets:								
Investment properties							86,570	8,140
Deposit paid for acquisition of an investment property							-	801
Deposits paid for investment in an associate							-	28,000
Non-current assets held for sale							65,000	-
Financial assets at fair value through profit or loss							74,491	77,372
Amount due from an associate							933	-
Cash and cash equivalents							124,759	173,109
Others							2,943	417
Total assets							662,152	617,622
Reportable segment liabilities	72,683	83,544	2,778	3,497	13,109	11,525	88,570	98,566
Unallocated liabilities							64,758	50,013
Total liabilities							153,328	148,579
Other segment information:								
Depreciation on property, plant and equipment	13,047	12,071	432	950	1,921	1,522	15,400	14,543
Amortisation of prepaid lease payments	83	233	-	-	154	113	237	346
Gain on disposal of property, plant and equipment	(161)	(1,210)	-	-	-	-	(161)	(1,210)
Revaluation surplus on leasehold land and buildings	(20)	(85)	-	-	-	-	(20)	(85)
Impairment loss on property, plant and equipment	4,005	-	623	-	-	-	4,628	-
Write off of property, plant and equipment	-	2,571	-	1,195	-	-	-	3,766
Provision for slow moving inventories	418	4,769	-	-	-	-	418	4,769
(Reversal of)/ Allowance for impairment on trade receivables	(622)	(227)	129	-	(311)	326	(804)	99
Allowance for impairment on other receivables	-	300	-	-	-	-	-	300
Capital expenditure	18,937	10,723	87	390	385	211	19,409	11,324

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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		Europe and other countries		Consolidated	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Reportable segment revenue:								
Sales to external customers	406,367	446,414	15,250	26,961	82,163	44,034	503,780	517,409
Non-current assets	49,103	81,082	210,103	146,258	-	-	259,206	227,340

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.

Certain geographical segment information for the year ended 31 March 2011 has been changed to conform to the current year's presentation.

5.3 Information about major customers

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follows:

	2012 HK\$'000	2011 HK\$'000
Customer A	61,352	52,644
Customer B ^(a)	60,564	-
	121,916	52,644

(a) Revenue from Customer B contributes less than 10% of total revenue of the Group during the year ended 31 March 2011.

(b) The two customers are included in the manufacture and sale of paper cartons, packaging boxes and children's novelty books segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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.

	2012 HK\$'000	2011 HK\$'000
Sales of goods	440,950	459,103
Rendering of services	62,830	58,306
	503,780	517,409

7. OTHER OPERATING INCOME

	Group	
	2012 HK\$'000	2011 HK\$'000
Interest income	4,050	3,568
Rental income on investment properties	1,839	–
Revaluation surplus on leasehold land and buildings	20	85
Revaluation surplus on investment properties	2,423	305
Reversal of impairment of trade receivables	804	–
Dividend income from financial assets		
at fair value through profit or loss	589	530
Fair value gain on financial assets		
at fair value through profit or loss	–	1,131
Gain on disposal of financial assets		
at fair value through profit or loss	–	3,278
Gain on disposal of non-current assets held for sale	–	3,130
Gain on disposal of property, plant and equipment	161	1,210
Sundry income	1,146	1,281
	11,032	14,518

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

8. (LOSS)/PROFIT FROM OPERATIONS

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

	2012 HK\$'000	2011 HK\$'000
Amortisation of prepaid lease payments ^(a)	237	346
Auditor's remuneration	880	813
Cost of inventories sold	370,072	352,846
Cost of services rendered	20,046	19,768
Depreciation of property, plant and equipment ^(b)	15,400	14,543
Exchange loss, net	1,068	831
Gain on disposal of property, plant and equipment ^(g)	(161)	(1,210)
Gain on disposal of non-current assets held for sale ^(g)	–	(3,130)
Impairment loss on non-current assets held for sale ^(g) (note 19(a))	16,043	–
Impairment loss on amount due from an associate ^(g)	67	–
Provision for slow moving inventories ^(g)	418	4,769
Fair value loss/(gain) on financial assets at fair value through profit or loss ^(g)	1,971	(1,131)
Loss/(Gain) on disposal of financial assets at fair value through profit or loss ^(g)	1,729	(3,278)
Gross rental income on investment properties	(1,839)	–
Less: Outgoing expenses	43	–
Net rental income on investment properties	(1,796)	–
Operating lease charges on land and buildings ^(c)	9,295	8,770
(Reversal of)/Allowance for impairment ^(g)		
– trade receivables	(804)	99
– other receivables	–	300
Impairment loss on property, plant and equipment ^(g) (note 14)	4,628	–
Write off of property, plant and equipment ^(g)	–	3,766
Revaluation surplus on leasehold land and buildings ^(g)	(20)	(85)
Revaluation surplus on investment properties ^(g)	(2,423)	(305)
Staff costs (excluding directors' remuneration)		
Wages and salaries ^(d)	89,537	94,818
Provision for long service payment ^(f)	–	2,106
Pension scheme contributions ^(e)	4,713	4,877

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

- (a) Amortisation of prepaid lease payments of HK\$83,000 (2011: HK\$83,000) has been expensed in cost of sales and HK\$154,000 (2011: HK\$263,000) in administrative expenses.
- (b) Depreciation on property, plant and equipment of HK\$11,690,000 (2011: HK\$10,563,000) has been expensed in cost of sales and HK\$3,710,000 (2011: HK\$3,980,000) in administrative expenses.
- (c) Operating lease charges on land and buildings of HK\$617,000 (2011: HK\$539,000) has been expensed in cost of sales and HK\$8,678,000 (2011: HK\$8,231,000) in administrative expenses.
- (d) Wages and salaries of HK\$43,254,000 (2011: HK\$39,902,000) has been expensed in cost of sales and HK\$46,283,000 (2011: HK\$54,916,000) in administrative expenses.
- (e) Pension scheme contributions of HK\$542,000 (2011: HK\$337,000) has been expensed in cost of sales and HK\$4,171,000 (2011: HK\$4,540,000) in administrative expenses.
- (f) Provision for long service payment of Nil (2011: HK\$2,106,000) has been expensed in administrative expenses.
- (g) Included in other operating (income)/expenses.

9. FINANCE COSTS

	Group	
	2012	2011
	HK\$'000	HK\$'000
Interest charges on overdrafts, bank and other borrowings		
– wholly repayable within five years	819	816
– not wholly repayable within five years	63	–
	882	816

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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% (2011: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

10. INCOME TAX EXPENSE (Continued)

Deferred tax is accounted for using the balance sheet liabilities method at a rate of 16.5% (2011: 16.5%) in Hong Kong or the tax rates prevailing in the countries in which the Group operates.

	Group	
	2012 HK\$'000	2011 HK\$'000
Current tax – Hong Kong		
Tax expense for the year	1,991	6,246
Under/(Over) provision in respect of prior years	94	(370)
	2,085	5,876
Current tax – overseas		
Tax expense for the year	519	136
Over provision in respect of prior years	–	(27)
	519	109
Deferred tax		
Tax expense/(credit) for the year (note 30)	270	(966)
Income tax expense	2,874	5,019

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

10. INCOME TAX EXPENSE (Continued)

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
(Loss)/Profit before income tax	(8,600)	39,926
Tax on (loss)/profit before income tax, calculated at the rates applicable to (loss)/profit in the tax jurisdiction concerned	(1,447)	6,153
Tax effect on non-deductible expenses	4,104	1,762
Tax effect on non-taxable revenue	(783)	(1,850)
Tax effect of utilisation of tax losses not previously recognised	(475)	(928)
Tax effect on tax loss not recognised	1,381	279
Under/(Over) provision in prior years	94	(397)
Income tax expense	2,874	5,019

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

Of the consolidated loss for the year attributable to the equity holders of the Company of HK\$11,474,000 (2011: profit of HK\$34,907,000), a profit of HK\$13,134,000 (2011: HK\$35,888,000) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

12. DIVIDENDS

(a) Dividends attributable to the year

	2012 HK\$'000	2011 HK\$'000
Interim dividend of Nil (2011: HK1 cent) per ordinary share	–	6,068
Special dividend of Nil (2011: HK3 cents) per ordinary share	–	18,202
Proposed final dividend of HK2 cents (2011: HK2 cents) per ordinary share	12,707	12,135
	12,707	36,405

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 2012.

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

	2012 HK\$'000	2011 HK\$'000
Final dividend in respect of the previous financial year of HK2 cents (2011: HK1 cent) per ordinary share	12,135	6,068

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK\$11,474,000 (2011: profit of HK\$34,907,000) and on the weighted average number of ordinary shares of 624,413,228 (2011: 606,753,119) in issue during the year.

No diluted (loss)/earnings per share has been presented as there had been no dilutive potential shares in both years of 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14. PROPERTY, PLANT AND EQUIPMENT

	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
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 and 1 April 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
Year ended 31 March 2012							
Opening net carrying amount	121,500	35,294	1,829	3,461	1,237	2,149	165,470
Additions	-	17,634	74	980	35	686	19,409
Transfer to investment properties	(14,005)	-	-	-	-	-	(14,005)
Impairment loss	-	(4,628)	-	-	-	-	(4,628)
Disposals, net	-	-	-	-	-	-	-
Net revaluation surplus	18,980	-	-	-	-	-	18,980
Depreciation	(3,325)	(8,570)	(727)	(988)	(974)	(816)	(15,400)
Closing net carrying amount	123,150	39,730	1,176	3,453	298	2,019	169,826
At 31 March 2012							
Cost or valuation	123,150	128,469	26,594	15,955	3,862	9,119	307,149
Accumulated depreciation	-	(88,739)	(25,418)	(12,502)	(3,564)	(7,100)	(137,323)
Net carrying amount	123,150	39,730	1,176	3,453	298	2,019	169,826

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 March 2012, the Group's leasehold land and buildings in Hong Kong were carried at their valuations as at 31 March 2012 which was performed by LCH, an independent firm of professional valuers, on the basis of market value, at HK\$28,760,000 (2011: 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\$3,977,000 (2011: HK\$5,149,000) was credited to other comprehensive income, and a revaluation surplus of HK\$20,000 (2011: HK\$85,000) was recognised in the profit or loss to offset against previous revaluation deficit recognised in the profit or loss.

At 31 March 2012, the Group's leasehold land and buildings outside Hong Kong were carried at their valuations as at 31 March 2012 which was performed by LCH, on the basis of depreciated replacement cost and of market value, at HK\$94,390,000 and Nil (2011: 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\$14,983,000 (2011: 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\$10,809,000 (2011: HK\$11,179,000).

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\$12,608,000 (2011: HK\$22,979,000).

At 31 March 2012, certain of the Group's leasehold land and buildings amounting to HK\$20,990,000 (2011: HK\$18,470,000) were pledged to secure the bank borrowings and general banking facilities granted to the Group as further detailed in notes 26 and 32 to the financial statements respectively.

Non-separable leasehold land and buildings were carried at their valuations at HK\$22,010,000 (2011: HK\$19,490,000) are held on medium term leases between 10 to 50 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As part of the continuous exercise to enhance the production efficiency and cost control effectiveness, the management has conducted an impairment review on the Group's property, plant and equipment. Certain property, plant and equipment were considered as impaired in the segment of manufacture and sale of hangtags, labels, shirt paper boards and plastic bags and the segment of manufacture and sale of paper cartons, packaging boxes and children's novelty books 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 2012 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	-	128,469	26,594	15,955	3,862	9,119	183,999
At valuation	123,150	-	-	-	-	-	123,150
	123,150	128,469	26,594	15,955	3,862	9,119	307,149

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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	
	2012 HK\$'000	2011 HK\$'000
Opening net carrying amount	13,703	14,049
Amortisation	(237)	(346)
Transfer to investment properties	(10,656)	–
Closing net carrying amount	2,810	13,703

	Group	
	2012 HK\$'000	2011 HK\$'000
Outside Hong Kong held on: Leases of between 10 to 50 years	2,810	13,703

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

16. INVESTMENT PROPERTIES

	Group	
	2012 HK\$'000	2011 HK\$'000
Fair value		
At beginning of year	8,140	–
Transfer from property, plant and equipment	14,415	–
Transfer from prepaid lease payments	53,616	–
Additions	7,976	7,835
Change in fair value	2,423	305
At end of year	86,570	8,140

The carrying amount of investment properties shown above comprises:

	Group	
	2012 HK\$'000	2011 HK\$'000
Medium-term lease properties in Hong Kong	16,090	8,140
Medium-term lease properties outside Hong Kong	70,480	–
	86,570	8,140

During the year, the Group reclassified certain owner-occupied properties previously classified as property, plant and equipment and prepaid lease payments with carrying amounts of HK\$14,005,000 and HK\$10,656,000 respectively to investment properties due to the fact that the usage of the properties had been changed to earn rentals. Accordingly, the respective revaluation surplus on the date of transfer of HK\$410,000 and HK\$42,960,000 totalling HK\$43,370,000 was recognised as other comprehensive income.

The fair value of the Group's investment properties at 31 March 2012 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.

At 31 March 2012, the carrying value of investment properties pledged as security of the Group's bank borrowings and general banking facilities amounted to HK\$16,090,000 (2011: Nil) as further details in notes 26 and 32 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	132,325	116,995

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

Name	Country/Place of incorporation/ registration	Issued share capital/ Paid up capital	Percentage of equity interests held by the Company		Principal activities	Place of operations
			Direct	Indirect		
Cheong Ming (BVI) Enterprises Limited	British Virgin Islands	HK\$10,000 ordinary shares	100%	-	Investment holding	Hong Kong
Capital Asset Management Limited	Hong Kong	HK\$2 ordinary shares	-	100%	Property and investment holding	Hong Kong
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 and printing of children's novelty books	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**	Paid up capital of HK\$149,670,000 (2011: HK\$136,530,000)	-	100%	Manufacture and sale of paper cartons and plastic bags	PRC
Capital Financial Press Limited	Hong Kong	HK\$800,000 ordinary shares	-	100%	Commercial printing	Hong Kong
Capital Translation Services Limited	Hong Kong	HK\$500,000 ordinary shares	-	100%	Provision of translation services	Hong Kong
Qualiti Printing and Sourcing Limited	Hong Kong	HK\$3,750,000 ordinary shares	-	100%	Trading of hangtags, labels and shirt paper boards	Hong Kong
Qualiti UK Limited	United Kingdom	GBP50,000 ordinary shares	-	100%	Provision of packaging solution advisory services	United Kingdom

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

17. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration	Issued share capital/ Paid up capital	Percentage of equity interests held by the Company		Principal activities	Place of operations
			Direct	Indirect		
Excel Testing Service Limited (previously known as 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
資凌商務服務(深圳)有限公司	PRC**	Paid up capital of HK\$36,000,000	-	100%	Provision of business services	PRC
深圳市大昌明包裝有限公司	PRC***	Paid up capital of RMB3,000,000	-	100%	Sales of paper cartons and plastic bags	PRC
東莞市振明服裝輔料有限公司	PRC***	Paid up capital of RMB5,000,000	-	100%	Manufacture and sale of garment supplementary	PRC

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

** The 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 financial statements of the above subsidiaries for the year ended 31 March 2012 are audited by BDO Limited, for the purpose of incorporation into the Group's consolidated financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN ASSOCIATES

	Group	
	2012 HK\$'000	2011 HK\$'000
Share of net assets – unlisted		
At beginning of year	–	–
Acquisition of interest in an associate ^(a)	56,330	–
Capital contribution to an associate ^(b)	2	–
Share of loss	(56)	–
Share of other comprehensive income	137	–
Transfer to non-current assets held for sale (note 19(a))	(56,413)	–
At end of year	–	–

- (a) On 26 March 2011, the Group entered into an acquisition agreement (the “Acquisition Agreement”) with Fullpower Investment Holdings Corp. (“Fullpower”) to conditionally acquire 25% equity interest in Suntap Enterprises Ltd. (“Suntap”), which indirectly holds two coalbed methane gas projects (the “CBM Projects”) in the PRC, at a consideration comprising HK\$41,000,000 in cash and the issuance of 28,600,000 new shares to Fullpower by the Company (the “Consideration Shares”). Details of the acquisition are laid out in the announcement made by the Company on 28 March 2011. The fair value of the Consideration Shares was valued at HK\$15,330,000 at the completion date, i.e. 26 April 2011, by an independent firm of professional valuers. Accordingly, the total consideration was HK\$56,330,000 for the acquisition of the 25% equity interest in Suntap. The cash consideration included a deposit of HK\$28,000,000 paid in last year and the balance of HK\$13,000,000 paid on the completion date of 26 April 2011. The initial recognition of the investment in the associate was accounted as purchase of assets and assumption of liabilities since the operation of the associate did not constitute a business for accounting purpose as it is still in early stage of exploration. Accordingly, the purchase consideration has been allocated to the individual assets and liabilities acquired and no goodwill arose on the acquisition.

As part and parcel of the acquisition of the interest in the associate, the Group had advanced a loan of RMB20,000,000 (the “Loan”) to Suntap after the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN ASSOCIATES (Continued)

(a) (Continued)

Details of the associate are as follows:

Name	Form of business structure	Place of incorporation	Principal activity	Percentage of equity interests indirectly held
Suntap Enterprises Ltd.	Limited liability company	British Virgin Islands	Investment holding	25%

According to the Acquisition Agreement, a repurchase option was granted to Fullpower pursuant to which Fullpower has the right to repurchase the 25% equity interest in Suntap sold to the Group, together with the Loan, at a total consideration of HK\$65,000,000 in cash, in certain circumstances, including but not limited to, the Company demanding for the repayment of the Loan from Suntap. Subsequent to the completion of the acquisition, the CBM Projects have made due progress. However, the Company has been informed that for the purpose of accelerating the scale of exploration of the CBM Projects, additional shareholders' fundings are required to be provided. Having regard to the tightened liquidity in the capital market and the relatively weak market sentiment, and with a view to preserving the cash resources of the Group in face of the difficult market conditions ahead, the Company considers it appropriate to take a prudent investment approach and issued a demand notice for repayment of the Loan on 29 March 2012. On 30 March 2012, Fullpower exercised the right stated in the Acquisition Agreement to repurchase the 25% equity interest in Suntap, together with the Loan, at a total consideration of HK\$65,000,000 (the "Repurchase"). The interest in Suntap with net carrying amounts of HK\$56,413,000 and the Loan equivalent to HK\$24,630,000 as of 30 March 2012 was put together as a disposal group and reclassified as non-current assets held for sale (note 19(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN ASSOCIATES (Continued)

(a) (Continued)

The summarised financial information based on the consolidated management accounts of Suntap for the period from 26 April 2011 (date of acquisition) to 30 March 2012 is set out below:

	HK\$'000
As at 30 March 2012	
Total assets	126,617
Total liabilities	(115,605)
<hr/>	
Net assets	11,012
<hr/>	
Revenue	–
<hr/>	
Loss for the period from 26 April 2011 (date of acquisition) to 30 March 2012	(217)
<hr/>	
Total other comprehensive income for the period from 26 April 2011 (date of acquisition) to 30 March 2012	549
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Group's share of net assets of the associate based on the purchase price allocation as at 30 March 2012	56,413
<hr/>	
Group's share of loss of the associate for the period from 26 April 2011 (date of acquisition) to 30 March 2012	(54)
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Group's share of other comprehensive income of the associate for the period from 26 April 2011 (date of acquisition) to 30 March 2012	137
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN ASSOCIATES (Continued)

- (b) During the year, the Group set up Smooth Fortune Investments Limited, which owns the entire equity interest in Artel Corporation Limited, with an independent third party.

The summarised financial information based on the consolidated management accounts of Smooth Fortune Investments Limited for the period from 15 September 2011 (date of incorporation) to 31 March 2012, is set out below:

	HK\$'000
As at 31 March 2012	
Total assets	3,976
Total liabilities	(4,243)
<hr/>	
Net liabilities	(267)
<hr/>	
Revenue	5,705
<hr/>	
Loss for the period from 15 September 2011 (date of incorporation) to 31 March 2012	(275)
<hr/>	
Total other comprehensive income for the period from 15 September 2011 (date of incorporation) to 31 March 2012	–
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Group's share of loss of the associates for the period from 15 September 2011 (date of incorporation) to 31 March 2012	(2)
<hr/>	
Group's share of other comprehensive income of the associates for the period from 15 September 2011 (date of incorporation) to 31 March 2012	–
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The Group has discontinued the recognition of its share of losses of the associates amounted to HK\$67,000 during the year because the share of losses of these associates exceeded the Group's interests in them.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN ASSOCIATES (Continued)

(b) (Continued)

Details of the associates as at 31 March 2012 are as follows:

Name	Form of business structure	Place of incorporation	Principal activity	Percentage of equity interests indirectly held
Smooth Fortune Investments Limited	Limited liability company	British Virgin Islands	Investment holding	25%
Artel Corporation Limited	Limited liability company	Hong Kong	Retailing of mobile handsets and accessories	25%

(c) The amount due from an associate is unsecured, interest-free and repayable on demand.

19. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2012 HK\$'000	2011 HK\$'000
At beginning of year	–	6,765
Transfer from interest in an associate ^(a) (note 18(a))	56,413	–
Transfer from loan to an associate ^(a) (note 18(a))	24,630	–
Disposal of property held for sale ^(b)	–	(6,765)
Less: Impairment loss on the interest in an associate ^(a)	(16,043)	–
At end of year	65,000	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

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

- (a) On 30 March 2012, Fullpower exercised the right stated in the Acquisition Agreement to repurchase the 25% equity interest in and the Loan to Suntap, at total consideration of HK\$65,000,000. Pursuant to the Acquisition Agreement, the repurchase of the 25% equity interest in Suntap (together with the Loan) by Fullpower shall be completed on the 90th day from the date of exercising the right by Fullpower (or such other date as the parties may agree). However, by mutual agreement between the parties to the Acquisition Agreement, it was agreed at the time Fullpower exercises its repurchase right that completion of the Repurchase by Fullpower would be on or before 31 May 2012. The transaction was yet to be completed as at 31 March 2012 and the carrying amount of the interest in this associate of HK\$56,413,000 (note 18(a)) and the Loan of HK\$24,630,000 (note 18(a)) were classified as non-current assets held for sale. Accordingly, an impairment loss of HK\$16,043,000 was charged to the profit or loss during the year.

The Repurchase was originally agreed to be completed on or before 31 May 2012 but has been mutually agreed by Fullpower and the Company to extend to 25 June 2012 (or such other earlier date as the parties may agree). On 25 June 2012, Fullpower and the Company have mutually agreed to further extend the completion date of the Repurchase to 31 July 2012 (or such other earlier date as the parties may agree). Save as the above, all the other terms of the Repurchase shall continue in full force and effect.

Although the completion date of the Repurchase was further extended to 31 July 2012, the Company has been informed by Fullpower that an independent financier has indicated to Fullpower that the said financier is willing to provide a loan to a shareholder of Fullpower amounting to HK\$290,000,000 of which HK\$65,000,000 will be designated for direct settlement of the Repurchase consideration upon fulfillment of certain prerequisites and finalisation of the terms of the loan agreement. The relevant loan agreement is expected to be signed on 15 July 2012. Although the said financing arrangements of Fullpower are subject to certain prerequisites and signing of the relevant agreement with the said financier, taking into consideration of this, the Company is of the view that it is probable that the Repurchase would be completed on or before 31 July 2012. On this basis, the directors of the Company consider that the carrying amount of HK\$65,000,000 (which is the Repurchase price) of the non-current assets held for sale is representative of the fair value of it to the Company.

- (b) On 4 November 2009, the Group entered into a sale and purchase agreement for the disposal of the property held for sale with an independent third party to the Group. Pursuant to the sale and purchase agreement, the Group agreed to dispose of the industrial land and buildings in Third Industrial Zone, Wangmu Village, Dapany Town, Shenzhen, the 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 credited to the profit or loss for the year ended 31 March 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

20. INVENTORIES

	Group	
	2012 HK\$'000	2011 HK\$'000
Raw materials	20,176	34,214
Work in progress	2,842	8,427
Finished goods	7,440	8,392
	30,458	51,033

21. TRADE RECEIVABLES

	Group	
	2012 HK\$'000	2011 HK\$'000
Trade receivables	94,635	78,739
Less: Allowance for impairment of receivables	(1,311)	(2,581)
Trade receivables – net	93,324	76,158

Trade receivables generally have credit terms of 30 to 120 days (2011: 30 to 90 days). The directors of the Group consider that the fair values of trade receivables 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.

At 31 March 2012, the aging analysis of the trade receivables, based on invoiced date and net of allowance, is as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Current to 30 days	43,478	40,737
31 to 60 days	19,407	15,133
61 days to 90 days	12,990	15,663
Over 90 days	17,449	4,625
	93,324	76,158

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

21. TRADE RECEIVABLES (Continued)

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	
	2012 HK\$'000	2011 HK\$'000
Pound sterling	530	–
Euro (“EUR”)	64	527
US dollars (“US\$”)	41,833	24,266

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

	Group	
	2012 HK\$'000	2011 HK\$'000
Carrying amount at beginning of year	2,581	2,660
Allowance for impairment loss of prior year written off against trade receivables	(466)	(178)
Allowance for impairment loss charged to the profit or loss	129	99
Reversal of impairment loss credited to the profit or loss	(933)	–
Carrying amount at end of year	1,311	2,581

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 2012, the Group's trade receivables of HK\$1,311,000 (2011: HK\$2,581,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

21. TRADE RECEIVABLES (Continued)

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

	Group	
	2012 HK\$'000	2011 HK\$'000
Not past due	76,046	61,677
Unimpaired but past due		
Not more than 30 days	8,013	10,221
31 – 60 days	2,508	2,785
61 – 90 days	1,731	1,155
Over 90 days	5,026	320
	93,324	76,158

As at 31 March 2012, trade receivables of HK\$76,046,000 (2011: HK\$61,677,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Prepayments	2,886	4,486	170	170
Deposits	3,778	3,676	–	–
Other receivables	9,751	7,789	–	–
	16,415	15,951	170	170
Less: Allowance for impairment of receivables	(3,458)	(3,758)	–	–
	12,957	12,193	170	170

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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Carrying amount at beginning of year	3,758	3,458	–	–
Allowance for impairment loss of prior year written off against other receivables	(300)	–	–	–
Allowance for impairment (including in other operating expenses)	–	300	–	–
Carrying amount at end of year	3,458	3,758	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong listed equity investments	2,878	2,650
Hong Kong unlisted debt investments	37,862	36,462
Hong Kong unlisted currency notes	4,760	6,343
Hong Kong unlisted linked notes	–	3,163
Hong Kong unlisted commodity linked note	–	1,579
Overseas listed equity investments	814	1,679
Overseas unlisted fund investments	15,618	11,894
Overseas unlisted debt investments	12,559	8,894
Overseas unlisted currency notes	–	4,708
	74,491	77,372

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 39.7.

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 statement of cash flows.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash in hand, bank balances, and time deposits with original maturity of less than three months	52,646	101,225	1,731	1,584
Cash placed at securities brokerage firms	71,359	71,131	–	–
Time deposits with original maturity of more than three months	754	753	–	–
Cash and cash equivalents per consolidated statement of financial position	124,759	173,109	1,731	1,584
Less: Time deposits with original maturity of more than three months	(754)	(753)	–	–
Cash and cash equivalents per consolidated cash flow statement	124,005	172,356	1,731	1,584

The effective interest rate of time deposits, denominated in HK\$ and US\$, with original maturity of less than three months are 0.01% to 1.1% (2011: 0.001% to 1.15%) per annum. They have a maturity of 7 days to 3 months (2011: 7 days to 1 month) and are eligible for immediate cancellation without receiving any interest for the last deposit period.

The effective interest rate of time deposits, denominated in HK\$, with original maturity of more than three months are 0.18% (2011: 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\$8,607,000 (2011: HK\$14,392,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

25. TRADE PAYABLES

	Group	
	2012 HK\$'000	2011 HK\$'000
Trade payables	58,820	67,207

At 31 March 2012, the aging analysis of the trade payables, based on invoiced date, is as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Current to 30 days	34,580	31,955
31 to 60 days	7,995	5,571
61 to 90 days	2,835	10,275
Over 90 days	13,410	19,406
	58,820	67,207

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.

26. INTEREST-BEARING BORROWINGS

	Group	
	2012 HK\$'000	2011 HK\$'000
Current liabilities		
Bank loans, secured		
– Portion due for repayment within one year	19,642	25,256
– Portion due for repayment after one year which contain a repayment on demand clause	9,475	4,300
	29,117	29,556

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

26. INTEREST-BEARING BORROWINGS (Continued)

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

	Group	
	2012 HK\$'000	2011 HK\$'000
Portion due within one year	19,642	25,256
Portion due for repayment after one year (note)		
After one year but within two years	2,350	4,300
After two years but within five years	2,050	–
After five years	5,075	–
	29,117	29,556

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.

The interest-bearing borrowings were secured by the pledge of certain land and buildings under property, plant and equipment and investment properties with net carrying amounts of HK\$20,990,000 and HK\$16,090,000 (2011: HK\$18,470,000 and Nil) respectively as at 31 March 2012. The details are set out in notes 14 and 16 to the financial statements.

Details of the loans are stated below.

	Loan amount HK\$'000	Interest rate	Repayment terms
Loans denominated in HK\$	15,300	HIBOR + 2.00% p.a. – HIBOR + 2.25% p.a.	Payable within 5 years
	6,825	HIBOR + 1.50% p.a.	Payable within 20 years
Loans denominated in EUR	6,992	HIBOR + 2.06% p.a.	Payable within 5 years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

27. SHARE CAPITAL

	2012 HK\$'000	2011 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	63,535	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:

	2012		2011	
	Number of shares	HK\$'000	Number of shares	HK\$'000
At beginning of year	606,753,119	60,675	606,753,119	60,675
Issue of shares for the acquisition of interest in an associate	28,600,000	2,860	–	–
At end of year	635,353,119	63,535	606,753,119	60,675

On 19 August 2011, 28,600,000 ordinary shares of HK\$0.10 each were issued at a fair value of HK\$15,330,000 approximately to an issue price of HK\$0.5360 each, as part of the consideration of the Group's acquisition of the 25% equity interest in an associate, Suntap (note 18(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

28. SHARE OPTION SCHEME

The current share option scheme adopted by the Company was approved by the shareholders at the special general meeting of the Company held on 5 September 2002 (the “Scheme”).

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 2012, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. RESERVES

Group

	2012 HK\$'000	2011 HK\$'000
Share premium account	107,590	95,120
Contributed surplus	34,080	34,080
Asset revaluation reserve	91,868	44,783
Capital reserve	9,900	9,900
Exchange reserve	(245)	(1,220)
Retained profits	189,389	213,570
	432,582	396,233

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. RESERVES (Continued)

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 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 and 1 April 2011	94,920	116,795	1,582	213,297
Issue of shares for the acquisition of interest in an associate	12,470	–	–	12,470
Profit for the year	–	–	13,134	13,134
Proposed final dividend	–	–	(12,707)	(12,707)
At 31 March 2012	107,390	116,795	2,009	226,194

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

30. DEFERRED TAX

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

Deferred tax liabilities

	Tax loss HK\$'000	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
At 1 April 2010	(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 and 1 April 2011	(1,026)	962	9,786	9,722
(Credit)/Charge to profit or loss for the year (note 10)	(547)	220	736	409
Charge to other comprehensive income for the year	–	–	15,245	15,245
At 31 March 2012	(1,573)	1,182	25,767	25,376

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

30. DEFERRED TAX (Continued)

Deferred tax assets

	Accelerated tax depreciation
	HK\$'000
At 1 April 2010	(9)
Reallocation from deferred tax liabilities	5
Credit to profit or loss for the year (note 10)	(90)
<hr/>	
At 31 March 2011 and 1 April 2011	(94)
Credit to profit or loss for the year (note 10)	(139)
<hr/>	
At 31 March 2012	(233)

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\$7,739,000 (2011: HK\$7,394,000) to carry forward against future taxable income. The tax losses of the subsidiaries operating in the PRC amounted to HK\$2,151,000 (2011: HK\$1,901,000) can be carried forward for 5 years and the tax losses of the subsidiaries operating in Hong Kong amounted to HK\$5,588,000 (2011: HK\$5,493,000) will not be expired under the current tax legislation.

Deferred tax liabilities of HK\$76,000 (2011: HK\$84,000) 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\$1,520,000 at 31 March 2012 (2011: HK\$1,682,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

31. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

31.1 Directors' remuneration

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

	Fees HK\$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2012					
<i>Executive directors:</i>					
Mr. Lui Shing Ming, Brian	–	1,920	2,200	180	4,300
Mr. Lui Shing Cheong	–	1,779	1,600	193	3,572
Mr. Lui Shing Chung, Victor	–	1,680	1,600	236	3,516
<i>Independent non-executive directors:</i>					
Dr. Lam Chun Kong	150	–	–	–	150
Mr. Lo Wing Man	150	–	–	–	150
Dr. Ng Lai Man, Carmen	180	–	–	–	180
	480	5,379	5,400	609	11,868

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

31.1 Directors' remuneration (Continued)

	Fees HK\$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2011					
<i>Executive directors:</i>					
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
<i>Independent non-executive directors:</i>					
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

31.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2011: three) directors, details of their emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2011: two) employees are as follows:

	2012 HK\$'000	2011 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	2,866	2,642
Pension scheme contributions	24	24

	Number of individuals	
	2012	2011
Emolument bands		
HK\$1,000,001 – HK\$1,500,000	2	2

32. BANKING FACILITIES

At 31 March 2012, general banking facilities available to the Group amounted to HK\$249,075,000 (2011: HK\$267,275,000). The banking facilities utilised by the Group amounted to HK\$29,317,000 (2011: HK\$29,756,000) as at 31 March 2012.

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) and investment properties (note 16);
- (b) corporate guarantees from the Company (note 33).

33. FINANCIAL GUARANTEES

At 31 March 2012, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK\$179,700,000 (2011: HK\$157,700,000) (note 32).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

34. CAPITAL COMMITMENTS

(a) As at 31 March 2011, pursuant to the Acquisition Agreement as aforesaid in note 18(a), the Group was obliged to pay the remaining consideration of HK\$13,000,000 and issue the Consideration Shares subject to certain conditions precedent to completion of the transaction. The transaction was completed on 26 April 2012. The consideration of HK\$13,000,000 was paid and the Consideration Shares were issued during the year.

(b) Other assets

	Group	
	2012 HK\$'000	2011 HK\$'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	–	1,356
Acquisition of an investment property	–	7,204
	–	8,560

(c) The Company does not have any capital commitments at the reporting date.

35. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties under operating lease arrangements for terms ranging from two to three years (2011: terms of three years). None of the leases include contingent rentals.

At 31 March 2012, the Group had total future minimum lease receivables in respect of properties under non-cancellable operation operating leases as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Within one year	3,552	114
In the second to fifth years, inclusive	2,036	199
	5,588	313

The Company does not have any minimum lease receipts under non-cancellable operating leases at the reporting date (2011: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

36. 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 2012, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2012		2011	
	Land and buildings HK\$'000	Other assets HK\$'000	Land and buildings HK\$'000	Others assets HK\$'000
Within one year	8,880	566	7,218	601
In the second to fifth years, inclusive	17,927	1,918	2,222	961
After five years	11,267	–	11,295	–
	38,074	2,484	20,735	1,562

The Company did not have any significant operating lease commitments under non-cancellable operating leases at the reporting date (2011: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

- (a) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 31 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.
- (b) Compensation of a director's spouse:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Salaries and allowances	912	1,102
Pension scheme contributions	46	30
	958	1,132

38. MAJOR NON-CASH TRANSACTION

During the year, 28,600,000 ordinary shares of HK\$0.10 each were issued at a fair value of HK\$15,330,000 approximately to an issue price of HK\$0.5360 each, as part of the consideration of the Group's acquisition of the 25% equity interest in an associate, Suntap (note 18(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. 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.

39.1 Categories of financial assets and liabilities

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

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	74,491	77,372	–	–
Loans and receivables:				
– Trade receivables	93,324	76,158	–	–
– Deposits and other receivables	9,218	7,654	–	–
– Amount due from an associate	933	–	–	–
– Amounts due from subsidiaries	–	–	172,816	173,648
Cash and cash equivalents	124,759	173,109	1,731	1,584
	302,725	334,293	174,547	175,232

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.1 Categories of financial assets and liabilities (Continued)

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade payables	58,820	67,207	–	–
– Accrued liabilities and other payables	22,544	19,938	2,953	3,542
– Amounts due to subsidiaries	–	–	2,319	2,247
– Interest-bearing borrowings	29,117	29,556	–	–
	110,481	116,701	5,272	5,789

39.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.2 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 2012 and 2011 were as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Net financial assets/(liabilities)		
RMB	18,612	28,665
US\$	170,004	170,505

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

At 31 March 2012, the Group was exposed to the foreign currency fluctuation of RMB through its cash and cash equivalents of HK\$2,758,000 (2011: HK\$5,371,000) and financial assets at fair value through profit or loss of HK\$15,854,000 (2011: HK\$23,294,000). The director considers that any potential possible change in foreign exchange rates will have minimal impact on the Group's loss before taxation for the year and therefore no sensitivity analysis was provided in respect of potential foreign currency fluctuation.

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 23 and is exposed to the fluctuations of certain foreign currency indices. Management's best estimate of the effect on the Group's (loss)/profit 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	
	2012 HK\$'000	2011 HK\$'000
Increase/(Decrease) in net (loss)/profit for the year		
Change in foreign currency rates		
+ 10%	(1,904)	2,032
- 10%	1,906	(1,741)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.3 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 26 and 24 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.

Cash flow interest rate risk sensitivity

At 31 March 2012, the Group was exposed to change in market interest through its bank borrowings and bank balances of HK\$29,117,000 (2011: HK\$29,556,000) and HK\$105,448,000 (2011: HK\$112,963,000) 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 income tax 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 2012, 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 2012. All other variables are held constant.

	Group	
	2012 HK\$'000	2011 HK\$'000
Increase/(Decrease) in net (loss)/profit for the year		
If interest rates were 5% higher	1,079	(786)
If interest rates were 5% lower	(813)	919

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.4 Other price risk

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

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

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

The Group is also exposed to equity security price risk arising from its investment in derivative financial instruments. Details about the derivative financial instruments are set out in note 23. Management's best estimate of the effect on the Group's (loss)/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	
	2012	2011
	HK\$'000	HK\$'000
Increase/(Decrease) in net (loss)/profit for the year		
Market price of equity securities		
+ 10%	(369)	445
- 10%	369	(553)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.5 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.6 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 2012. 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	Within 3 months HK\$'000	4-6 months HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2012					
Trade payables	–	45,410	13,410	58,820	58,820
Other payables	5,677	–	–	5,677	5,677
Accrued liabilities	16,867	–	–	16,867	16,867
Interest-bearing borrowings	29,117	–	–	29,117	29,117
Total	51,661	45,410	13,410	110,481	110,481
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.6 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

	Within 3 months HK\$'000	4-6 months HK\$'000	7-9 months HK\$'000	10-12 months HK\$'000	Over 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000
At 31 March 2012	15,977	2,650	642	638	10,703	30,610
At 31 March 2011	18,411	2,321	2,317	2,312	4,312	29,673

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.6 Liquidity risk (Continued)

Company

	Repayable on demand HK\$'000	Within 3 months HK\$'000	4-6 months HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2012					
Other payables	30	–	–	30	30
Accrued liabilities	2,923	–	–	2,923	2,923
Amounts due to subsidiaries	2,319	–	–	2,319	2,319
total	5,272	–	–	5,272	5,272
Financial guarantees issued					
Maximum amount guaranteed	29,117	–	–	29,117	–
At 31 March 2011					
Other payables	37	–	–	37	37
Accrued liabilities	3,505	–	–	3,505	3,505
Amounts 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	–

The Group and the Company enjoyed a healthy financial position as at 31 March 2012, with cash and cash equivalents amounting to HK\$124,759,000 and HK\$1,731,000, a decrease from HK\$173,109,000 and an increase from HK\$1,584,000 as at 31 March 2011.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.6 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.

39.7 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;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

39.7 Fair value (Continued)

The financial assets 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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Assets								
Listed securities held for trading	3,692	4,329	-	-	-	-	3,692	4,329
Unlisted securities held for trading	66,036	57,705	4,763	15,338	-	-	70,799	73,043
Total fair values	69,728	62,034	4,763	15,338	-	-	74,491	77,372

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 investments 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 unchanged compared to the previous year.

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For the year ended 31 March 2012

40. 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 2012 HK\$'000	31 March 2011 HK\$'000
Total borrowings	29,117	29,556
Total equity	508,824	469,043
Gearing ratio	6%	6%

41. EVENT AFTER REPORTING DATE

As stated in note 19(a) above, on 31 May 2012 and in relation to the Repurchase of 25% equity interest in and the Loan to Suntap, Fullpower and the Company have mutually agreed to extend the completion date of the Repurchase to 25 June 2012 (or such other earlier date as the parties may agree). On 25 June 2012, Fullpower and the Company have mutually agreed to further extend the completion date of the Repurchase to 31 July 2012 (or such other earlier date as the parties may agree). Save as the above, all the other terms of the Repurchase shall continue in full force and effect.