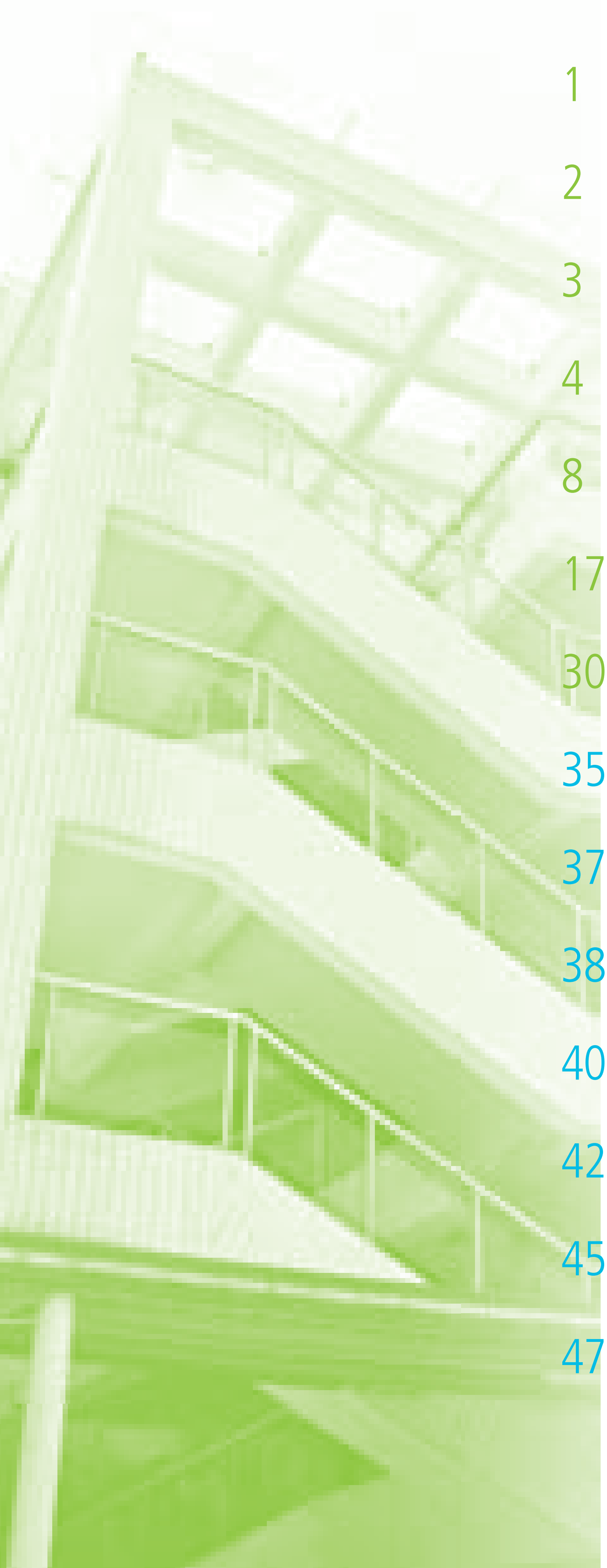
HUNG HING
PRINTING GROUP LIMITED
鴻興印刷集團有限公司

HUNG HING

08
ANNUAL REPORT 年報



Content

Corporate Profile

Founded in 1950 as a small printing shop in Hong Kong, Hung Hing Printing Group Limited has, over the course of half a century, built an integrated and technologically-advanced operation in the printing and manufacturing of paper and carton boxes, manufacturing of paper, manufacturing of corrugated cartons, and trading of paper.

Headquartered at the Tai Po Industrial Estate in Hong Kong, Hung Hing also has one plant in Fuyong (Shenzhen, China), two plants in Zhongshan, China and one plant in Wuxi (near Shanghai, China) and a new plant in Heshan, China. Production has resumed in Hong Kong. Total production floor space reaches 5.7 million square feet, with a workforce of over 16,000 in Hong Kong and China.

The Group places strong emphasis on providing reliable and value-added services. These qualities have won the Group many customers, including brand name manufacturers of toys and consumer goods from Australia, Europe and the U.S.A., as well as Chinese and Hong Kong companies.

Hung Hing's financial objective is to deliver consistent and superior returns to shareholders from a leading position in its industry. The strategy to achieve this involves long-term investments in fixed and human assets, and an unwavering focus on quality, efficiency and customer service.

Corporate Information

Executive Directors

Yam Cheong Hung, Chairman
(*resigned on 17 July 2008*)
Yum Chak Ming, Matthew, Managing Director
Yam Ho Ming, Michael
Yam Hon Ming, Tommy
(*resigned on 17 July 2008*)

Non-Executive Directors

Chu Shu Ho, David, JP
(*resigned on 17 July 2008*)
Yum Pui Ming, Anna
Peter Martin Springford, Chairman
(appointed on 17 July 2008)
David Murray Lonie
(appointed on 17 July 2008)
Ho Chi Kit
(appointed on 17 July 2008)
Lam Tsz-Wang, Alvin
(appointed on 17 July 2008)

Independent Non-Executive Directors

Wong Siu Ping
Yap, Alfred Donald
Yip Yu Bun, MH

Company Secretary

Tung Yu Biu

Registered Office

Hung Hing Printing Centre
17–19 Dai Hei Street
Tai Po Industrial Estate
New Territories, Hong Kong
Tel: (852) 2664 8682
Fax: (852) 2664 2070
E-mail: info@hhop.com.hk

Principal Bankers

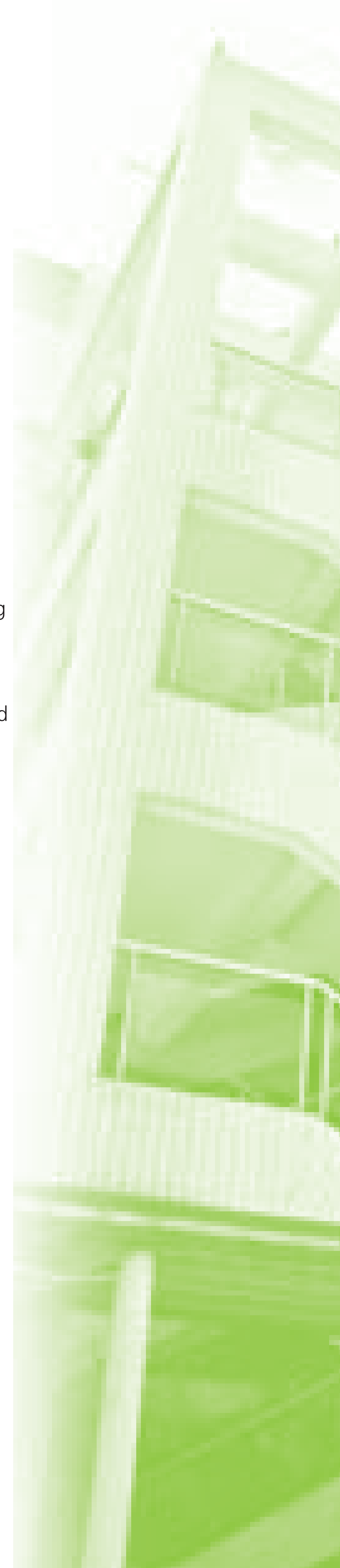
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi, Limited

Auditors

Ernst & Young
Nexia Charles Mar Fan & Co.

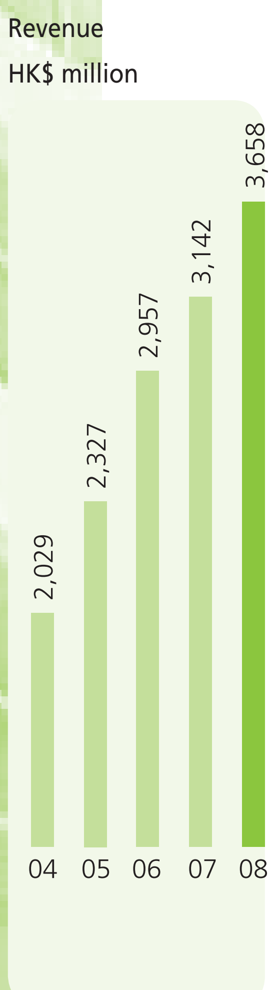
Share Registrar

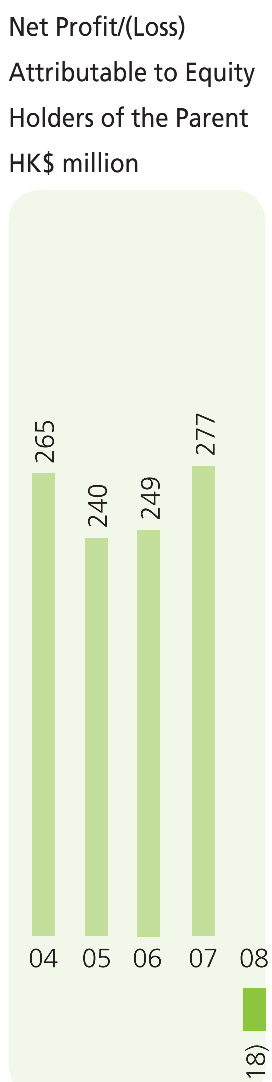
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

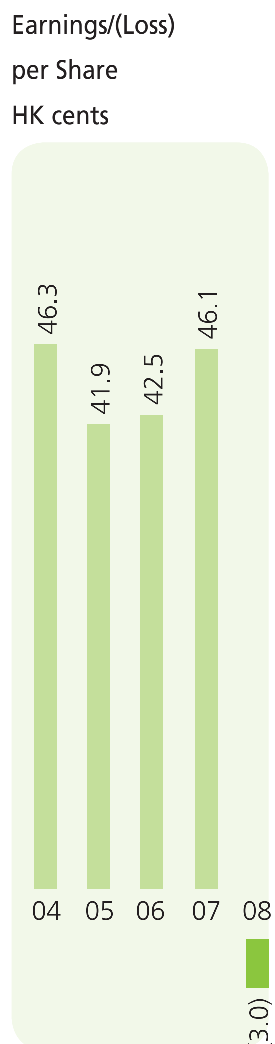


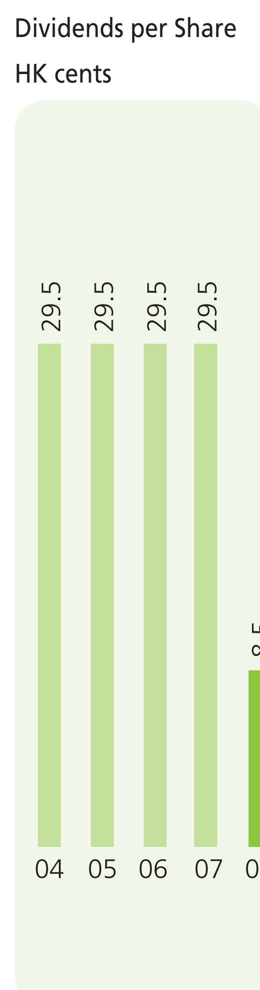
Financial Highlights

Year ended 31 March	2008 HK$'000	2007 HK$'000	Percentage change
Revenue	**3,658,095**	3,141,985	+16
Profit from Operating Activities	**299,086**	363,872	–18
Net Profit/(Loss) Attributable to Equity Holders of the Parent	**(17,799)**	277,139	N/A
Property, Plant and Equipment	**1,619,897**	1,493,144	+8
Equity Attributable to Equity Holders of the Parent	**2,050,710**	2,167,208	–5
Earnings/(Loss) per Share (HK cents)	**(3.0)**	46.1	N/A
Dividends per Share (HK cents)	**8.5**	29.5	–71









Yam Cheong Hung, Chairman

"The financial year 2007/08 saw Hung Hing maintain steady revenue growth in a challenging marco economic environment. The consolidation trend in the industry has provided opportunities for business growth."

TO OUR SHAREHOLDERS:

The financial year 2007–08 saw Hung Hing maintain steady revenue growth in a challenging macro economic environment.

The Group achieved an increase in revenue of 16% to HK$3,658 million during the year under review, improving growth across all business lines and major markets. Corrugated carton manufacturing and paper trading performed particularly well, recording increases in both revenue and profit. In mainland China, continuing robust economic growth drove demand for quality paper products and packaging, while aggressive marketing efforts increased penetration of new European markets. As the trend for consolidation in the industry continues, it is expected that customers are increasingly turning to quality and reliable suppliers like Hung Hing.

However, this strong growth was impacted by rising costs throughout the year under review. These included high oil and material prices, as well as the effect of the steadily appreciating Renminbi. Additionally, minimum wage and benefits increases combined with the tightening employment market in southern China to exert upward pressure on labour costs. These factors saw the cost of sales rise by 22% to HK$3,083 million.

Several one-off losses were recorded during the year under review. In March 2008, bondholders exercised their option to redeem the Group's five-year zero coupon convertible bonds. This resulted in additional interest charges of HK$71 million and increased the Group's finance costs to HK$143 million.

Furthermore, the Group entered into certain derivative financial instruments to hedge against foreign exchange risks arising from the foreign currency requirements of the Group. Due to the subsequent volatile market conditions, the Group terminated certain of these instruments and entered into new ones to hedge the original position of these derivative financial instruments in order to minimize the potential loss to the Group. As a result, the fair value changes of these derivative financial instruments, together with the Group's structured borrowings led to a loss of HK$164 million. However, the highly unpredictable currency exchange rates of relevant currencies may cause the fair value of these derivative financial instruments to change in the future. The Group may terminate these derivative financial instruments in the future.

These exceptional losses had an impact on the Group, resulting in a loss for the year of HK$3.4 million. Loss attributable to equity holders of the parent was HK$17.8 million.

Despite these exceptional losses, our core business remains sound. The Group's overall operation and financial position remains healthy. Our net debt to equity ratio has been maintained at a comfortable level of 30%.

During the year under review, the Group continued its strategy of expanding its business in new geographic regions. Benefiting from the strong Euro, the Group increased its European marketing efforts to capture the potential of this growing economy. As the trend of consolidation in mainland China eases intense industry competition, opportunities for further business growth will also appear. This trend is already underway in the corrugated carton manufacturing industry. As a result, the Group has been able to more readily transfer costs to customers, contributing to a rise of 84% in the Group's operating profit for this division.

Losses per share were HK3.0 cents. The Board of Directors is proposing a final dividend of HK1.0 cent per share, bringing total dividends for the year to HK8.5 cents per share. Subject to shareholders' approval, the final dividend will be paid on 29 September 2008 to shareholders whose names appear on the Register of Members of the Company on 22 September 2008.

NEW INVESTOR TO BRING CAPITAL AND EXPERTISE

To capture opportunities arising from continued consolidation within the industry, Hung Hing entered into an agreement with a new investor in April 2008. The new investor, Asia Packaging Company Limited, is beneficially owned by investment funds advised by CVC Asia Pacific Limited. CVC is one of the leading private equity firms in Asia, with a proven record of investing in high-quality printing, paper and packaging companies and helping them develop to their full potential.

The transaction was completed in early July 2008. After acquiring 35% of the enlarged issued share capital of Hung Hing, Asia Packaging Company Limited has become the Group's largest shareholder. The transaction brings net capital investment of approximately HK$865 million and industry expertise in the form of four new directors to Hung Hing, allowing the Group to further expand in the future.

NEW JOINT VENTURE TO CAPTURE GROWING CHINA DEMAND

In view of the rapidly growing market for beverage packaging in China, the Group signed an agreement with Graphic Packaging International Japan Limited in March 2008 to set up a joint venture in Shanghai. The company, which will commence operations in late 2008, will provide multi-pack beverage packaging (paperboard cartons containing multiple beverage cans or bottles), as well as the leasing and maintenance of packing machines to beverage companies in China. Graphic Packaging International Japan Limited has been a business partner of Hung Hing for more than 10 years, and this new partnership will enhance our packaging capability and further expand our customer base in the China food and beverage market.

OUTLOOK

Market volatility is expected to persist in the year ahead. However, as the trend for consolidation in the industry continues, it will provide increasing opportunities for strong, diversified operations such as Hung Hing. We have already witnessed signs of this occurring during the first few months of the financial year 2008-09. The Group's prudent management and sound business strategies render it well placed to capitalise on the growth opportunities the market offers.

In closing, I would like to thank our dedicated and talented staff, whose hard work and commitment provides the base for the Company's continued growth.

Yam Cheong Hung
Chairman

Hong Kong, 17 July 2008

Yum Chak Ming, Matthew, Managing Director

"Continued improvement in the mainland China and European economies benefited the Group in China as well as new and existing European markets."

During the year under review, the Group achieved an increase in revenue of 16%. This increase was driven largely by continued improvement in the mainland China and European economies, which benefited the Group in China as well as new and existing European markets.

However, escalating raw material and labour costs caused the Group's cost of sales to rise at a faster rate than revenue, by 22% to HK$3,083 million.

Strong domestic demand saw mainland China revenue increase by 23%. As the Renminbi continued to appreciate in value, greater Renminbi revenue had a hedging effect and offset some of the impact on operating costs.

During the year under review, revenue from Europe rose by 38%. This was a result of both the strong Euro and further penetration into new European markets such as eastern and northern Europe. Russia, for example, has become one of our top five markets in the region, with sales increasing by 148% to HK$23 million. As the European economy maintains its steady growth, sales in the region should remain strong.

Despite the ongoing instability of the American economy, revenue from the United States remained stable. Although this is one of our most mature markets, there is still room for long-term growth as the economy recovers.

Prohibitive material cost increases saw greater consolidation within the printing and packaging industry during the period under review as many smaller companies closed down. This consolidation provided the conditions for larger companies to grow toward the end of the period, as pricing competition began to ease in the printing sector.

ANALYSIS BY BUSINESS DIVISION

Analysis by business division is as follows:

	Revenue			Contribution to operating profit		
	2008 HK$'000	%	% change from 2007	2008 HK$'000	%	% change from 2007
Paper & carton box printing & manufacturing	1,770,657	48	+13	159,100	53	–24
Paper manufacturing	830,173	23	+11	27,588	9	–65
Corrugated carton manufacturing	593,045	16	+10	45,490	15	+84
Paper trading	464,220	13	+65	62,519	21	+76
Eliminations	—	—	—	(59)	—	N/A
	3,658,095	100	+16	294,638	98	–16
Interest, dividend income and other gains				31,600	11	–14
Corporate and unallocated expenses				(27,152)	–9	+18
				299,086	100	–18

Management Discussion and Analysis

Paper and carton box printing and manufacturing

Our biggest division reported a steady increase in turnover of 13%, which was achieved largely on volume growth from existing as well as new customers. Demand came primarily from Europe for products such as children's books, conventional books and greeting cards, as well as China for branded consumer packaging products.

Despite this growth, an additional bad debts provision of HK$16 million, together with higher material and labour costs as well as a higher depreciation charge related to the new Heshan plant, resulted in a decline in operating profit of 24%.

The Heshan plant came into operation in 2007 and is growing steadily. The facility currently has approximately 2,000 workers, and its eighth printing press was installed during the period under review. A new testing lab is also being installed in the plant to allow faster results and further strengthen the Group's control over the quality of raw materials used in the manufacturing process. The lab will commence operations in August 2008.

Business continued to improve at our Wuxi plant, which achieved revenue growth of 29%. The plant has been gradually expanding and now has approximately 1,000 workers. Given the current positive economic environment in mainland China, we are beginning to shift the focus of this largely export-oriented plant to achieve balance between international and domestic business.

Paper Manufacturing

Benefiting from paper price increases, the paper manufacturing division achieved revenue growth of 11% to HK$830 million during the period under review.

However, high material costs, particularly for imported waste paper, and higher utility costs due to increasing coal prices continued to put pressure on margins. Furthermore, the division was required to pay additional VAT relating to previous years of approximately HK$12 million. As a result, operating profit for the division dropped by 65%.

Staff canteen at our new Heshan plant

Management Discussion and Analysis

The division plans to expand its capacity by acquiring a piece of land adjacent to the existing Zhongshan paper manufacturing facility. The present paper machine and power generator will be upgraded to improve operational efficiency.

Corrugated Carton Manufacturing

Consolidation within the corrugated carton market eased previously intense competition and pricing pressure during the year. The division was, therefore, able to pass on costs to the end customer, increasing revenue and operating profit by 10% and 84% respectively.

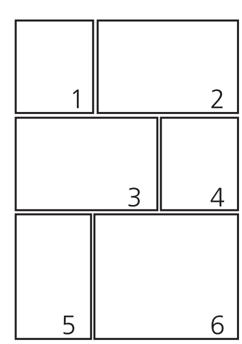
The Group's strategy of focusing on higher-margin production also contributed to the division's success. By further improving product range and diversity, the division added customers from a variety of different industries, including the domestic computer, electronics and telecommunications as well as food and beverage sectors.

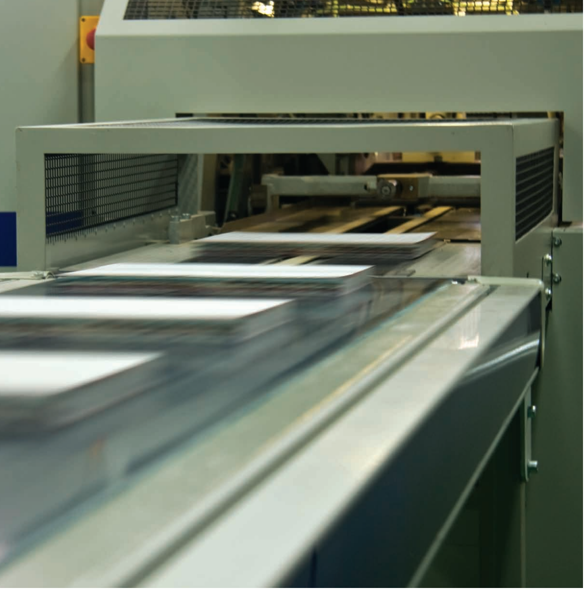
Paper Trading

This division was able to take advantage of the prevailing paper price increases across the globe to increase revenue and operating profit by 65% and 76% respectively. In anticipation of paper price increases, the division maintained strategic inventory levels at low cost, allowing it to benefit when prices subsequently rose as predicted.

Greater sales of high-value items such as wood-free paper, art paper and ivory board also contributed to the increase in profit and revenue. In addition to mainland China, the division also sourced these types of high-value paper from Europe and America, offering a broader range of quality paper to its customers. Aggressive marketing efforts generated further revenue as the division added customers throughout the year.

1 Conventional book manufacturing
2 Production meeting at our Heshan plant
3 and 4 Working condition at our Heshan plant
5 We purchased paper with Forest Stewardship Council (FSC) certification
6 Exterior of our new Heshan plant








FSC
Mixed Sources


FINANCIAL AND CAPITAL RESOURCES

Ongoing investment in machinery and facilities is an important part of the Group's strategic growth plans. The majority of the Group's investments throughout the year was focused on adding capacity to the Heshan plant through machine and building construction. The expenditure incurred during the year was as follows:

	HK$million
Buildings and machinery at the Heshan plant	80
Machinery and equipment at the Shenzhen plant	36
Buildings and machinery at the paper manufacturing facilities in Zhongshan	19
Buildings and machinery at the Tai Po plant	14
Machinery and equipment in printing and corrugating facilities in Zhongshan	12
Building and machinery at the Wuxi plant	12
	173

During the year, the Group entered into certain derivative financial instruments, primarily forward currency contracts, for hedging the Group's Renminbi requirements for general expenses in China, and Euro and Pound Sterling requirements for imported plant and machinery. However, due to subsequent volatile market conditions, the Group terminated certain Renminbi contracts and entered into new ones to hedge the position of original Euro and Pound Sterling contracts in order to minimize the potential loss for the Group. The termination and expiry of these forward currency contracts during the year resulted in a realized loss of HK$38 million. The marked to market of those outstanding forward contracts, which were still at their open position at 31 March 2008, resulted in a fair value loss of HK$119 million. However, a number of factors, such as the highly unpredictable currency exchange rates of relevant currencies, may cause the fair value of these forward currency contracts to change in the future.

The change in fair value of the Group's structured borrowings was HK$7 million, resulting in a total loss on net changes in fair value of derivative financial instruments and structured borrowings of HK$164 million for the year.

In March 2008, bondholders exercised their option to redeem the Group's five-year zero coupon convertible bonds at a cost of HK$791 million. This was fully financed by bank term loans of between three to five years. As at 31 March 2008, the Group had total bank borrowings including structured borrowings of HK$1,744 million, of which HK$808 million was repayable within one year and HK$936 million was repayable within 2–5 years. Of the Group's total bank borrowings, 72% was borrowed in Hong Kong dollars, 25% in US dollars, and 3% in Renminbi.

As a result of the early redemption of the convertible bonds, the Group incurred additional interest charges of HK$71 million, resulting in total interest expenses for the year of HK$143 million, an increase of 132% over last year. The increase in interest expenses was also due to an increase in bank borrowings, in particular foreign currency loans in Hong Kong dollars and US dollars drawn by the Group's China subsidiaries.

Anticipating paper price increases, the Group continued to maintain a higher level of inventory than usual. The Group's inventory value consequently increased when paper prices rose. However, this long-term strategy also led to an increase in bank borrowings for the year as it was necessary to finance higher inventory levels.

During the year, the Group's two China paper manufacturing companies entered into bank contracts to borrow Hong Kong dollars and US dollars to pay their overseas suppliers. At the same time, the two subsidiaries were required to pledge the same amount of cash in Renminbi deposits to match payment of these loans on their maturity. The subsidiaries then entered forward currency contracts to hedge their exposure in those foreign currency loans. This resulted in exchange gains for the two China subsidiaries, which consequently held a pledged time deposit of HK$322 million.

As at 31 March 2008, the Group had total cash on hand, including the pledged time deposit, of HK$1,134 million, of which HK$889 million was held in bank deposits. Of the total cash on hand, 47% was in Renminbi, 23% was in Hong Kong dollars, 17% was in US dollars and 13% was in Pound Sterling.

The net debt of the Group (total debt net of cash on hand) was HK$610 million. The net debt as a ratio to shareholders' equity was 30%.

BUSINESS SUSTAINABILITY

The Group is committed to sustainable practices that are sensitive to environmental considerations and implemented a number of measures during the period under review to ensure its business model remains environmentally and socially sustainable.

During the year, the Group invested over HK$1 million to improve the combustion efficiency of the steam boiler in our paper manufacturing plant at Zhongshan, an initiative that could save more than 8,000 tonnes of coal per year. We also installed an intelligent power regulator in the central air compressor of our Shenzhen plant, which could save over 120,000 kwh of electricity per year.

The Group achieved Chain of Custody (CoC) certification from the Programme for the Endorsement of Forest Certification Schemes (PEFC) during the period under review. This certification proves that the Group provides paper from well-managed forests. We are very proud of this accomplishment, which follows our achievement of Forest Stewardship Council (FSC) certification in the previous year.

EMPLOYEES

As of 31 March 2008, the Group employed a total of 16,000 staff in Hong Kong and China. Of the total, 378 were employed in Hong Kong and 15,622 in China. During the year, the Group further strengthened its training, safety and employee programs to enhance employee skills and provide workers with a sound career path.

As always, I would like to take this opportunity to thank our hardworking and dedicated staff for their commitment and effort throughout the year.

Yum Chak Ming, Matthew
Managing Director

Hong Kong, 17 July 2008

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year consisted of investment holding and the provision of management services.

The principal activities of the Group during the year consisted of the printing and manufacturing of paper and carton boxes, the manufacturing of paper, the manufacturing of corrugated cartons and the trading of paper. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 128.

An interim dividend of HK7.5 cents per share was paid on 24 January 2008. The directors recommend the payment of a final dividend of HK1.0 cent per ordinary share in respect of the year to shareholders on the registered members on 22 September 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

SUMMARY FINANCIAL INFORMATION (Continued)

Results

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**3,658,095**	3,141,985	2,956,885	2,327,393	2,028,920
PROFIT FROM OPERATING ACTIVITIES	**299,086**	363,872	351,678	314,595	336,617
Fair value gain/(loss) on derivative component of convertible bonds	**32,775**	55,275	(1,800)	—	—
Fair value loss on derivative financial instruments not qualified as hedges, net	**(157,473)**	—	—	—	—
Finance costs	**(142,744)**	(61,493)	(28,247)	(12,203)	(5,551)
Share of profits and losses of associates	**—**	—	—	4,756	8,571
PROFIT BEFORE TAX	**31,644**	357,654	321,631	307,148	339,637
Tax	**(35,039)**	(50,123)	(45,540)	(44,096)	(54,653)
PROFIT/(LOSS) FOR THE YEAR	**(3,395)**	307,531	276,091	263,052	284,984
Attributable to:					
Equity holders of the parent	**(17,799)**	277,139	248,891	240,281	264,742
Minority interests	**14,404**	30,392	27,200	22,771	20,242
	(3,395)	307,531	276,091	263,052	284,984
EARNINGS/(LOSS) PER SHARE					
Basic	**HK(3.0) cents**	HK46.1 cents	HK42.5 cents	HK41.9 cents	HK46.3 cents

SUMMARY FINANCIAL INFORMATION (Continued)

Assets, Liabilities and Minority Interests

	At 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROPERTY, PLANT AND EQUIPMENT	**1,619,897**	1,493,144	1,373,577	1,289,684	859,151
PREPAID LAND LEASE PAYMENTS	**150,784**	147,700	145,531	149,682	98,178
GOODWILL	**3,041**	3,041	3,041	3,041	—
AVAILABLE-FOR-SALE INVESTMENTS	**15,067**	11,554	10,766	10,438	6,825
PROPERTIES UNDER CONSTRUCTION	**40,844**	50,090	46,058	57,382	41,291
INTERESTS IN ASSOCIATES	**—**	—	—	—	137,557
DEFERRED TAX ASSETS	**7,735**	4,731	5,869	6,060	2,387
CURRENT ASSETS	**2,955,848**	2,401,498	2,400,552	1,604,097	1,331,498
TOTAL ASSETS	**4,793,216**	4,111,758	3,985,394	3,120,384	2,476,887
CURRENT LIABILITIES	**1,383,169**	706,587	797,458	634,545	338,922
CONVERTIBLE BONDS	**—**	679,590	641,185	—	—
INTEREST-BEARING BANK AND OTHER BORROWINGS	**893,485**	110,833	169,167	325,000	230,000
STRUCTURED BORROWINGS	**42,163**	56,896	—	—	—
DEFERRED TAX LIABILITIES	**40,802**	36,550	23,354	19,325	16,628
TOTAL LIABILITIES	**2,359,619**	1,590,456	1,631,164	978,870	585,550
MINORITY INTERESTS	**382,887**	354,094	317,017	298,854	151,478
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,050,710**	2,167,208	2,037,213	1,842,660	1,739,859

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital and convertible bonds during the year are set out in notes 33 and 31 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$376,168,000, of which HK$9,243,000 has been proposed as an final dividend for the year. In addition, the Company's share premium account, in the amount of HK$724,845,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$100,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 33% of the total purchases for the year and purchases from the largest supplier included therein amounted to 15%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Yam Cheong Hung	*(resigned on 17 July 2008)*
Yum Chak Ming, Matthew	
Yam Ho Ming, Michael	
Yam Hon Ming, Tommy	*(resigned on 17 July 2008)*

Non-executive directors:

Chu Shu Ho, David	*(resigned on 17 July 2008)*
Yum Pui Ming, Anna	
Peter Martin Springford	*(appointed on 17 July 2008)*
David Murray Lonie	*(appointed on 17 July 2008)*
Ho Chi Kit	*(appointed on 17 July 2008)*
Lam Tsz-Wang, Alvin	*(appointed on 17 July 2008)*

Independent non-executive directors:

Yip Yu Bun
Wong Siu Ping
Yap, Alfred Donald

In accordance with the Company's articles of association, the following directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting:

Yam Ho Ming, Michael
Yum Pui Ming, Anna
Yap, Alfred Donald

The Company has received annual confirmations of independence from Mr. Yip Yu Bun, Mr. Wong Siu Ping and Mr. Yap Alfred Donald, and as at the date of this report still considers them to be independent.

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

Executive directors

Mr. Yam Cheong Hung (resigned on 17 July 2008), aged 79, has been the Chairman and a director of the Company since 1991. He is responsible for the strategic policy and the corporate development of the Group. He has over 50 years of experience in the printing industry.

Mr. Yum Chak Ming, Matthew, aged 50, has been the Managing Director and a director of the Company since 1991. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto, Canada. He is responsible for the overall management of the Group. He has been with the Group since 1983 and is a son of Mr. Yam Cheong Hung.

Mr. Yam Ho Ming, Michael, aged 49, is a director of the Company and is responsible for overseeing the Group's paper trading and paper manufacturing operations in China. He holds a Bachelor of Science degree in Printing Management from Rochester Institute of Technology, U.S.A. He has over 10 years of experience in the printing industry both in Hong Kong and overseas. He has worked for 3 years in the sales and marketing department of a paper mill in Canada before rejoining the Group in 1992. He became a director of the Company in June 1996. He is a son of Mr. Yam Cheong Hung.

Mr. Yam Hon Ming, Tommy (resigned on 17 July 2008), aged 44, was a director of the Company from 1991 to 1996. He rejoined the Group in 1999 and became a director of the Company in July 2000. He holds a Bachelor of Arts degree in Economics from York University, Canada. He is the General Manager of the Group's subsidiary, Hung Hing Packaging (Wuxi) Company Limited and is responsible for its general management. He has over 10 years of experience in the printing industry. He is a son of Mr. Yam Cheong Hung.

Non-executive directors

Dr. Chu Shu Ho, David, JP (resigned on 17 July 2008), aged 58, has been a director of the Company since 1991. He has over 30 years of experience in the paper packaging industry. He is the Honorary Chairman of the Hong Kong Corrugated Paper Manufacturers Association Limited. He is also a member of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") and a Vice Chairman of the Subcommittee for Handling Proposals of the CPPCC. He is well known in the Chinese sports society. He has made significant contribution in Beijing's successful application for holding the 2008 Olympic Games. Dr. Chu is the Chairman of Hsin Chong Construction Group Ltd., the Mission Hills Group, and Mission Hills Golf Club.

Ms. Yum Pui Ming, Anna, aged 47, has been a director of the Company since 1992. She has 12 years of experience in administration and finance. She is a daughter of Mr. Yam Cheong Hung.

Non-executive directors (Continued)

Mr. Peter Martin Springford (appointed on 17 July 2008), aged 54, holds an M.B.A. from Otago University in New Zealand and is a member of the Institute of Directors in New Zealand. Mr. Springford is currently a director and the chairman of the audit committee of The New Zealand Refining Company Ltd, New Zealand's only oil refinery and a company listed on the New Zealand Stock Exchange. From 2002 to 2006, Mr. Springford was the managing director & the chief executive officer of Carter Holt Harvey Ltd, a major forestry, wood, paper & packaging company listed on the Australian Stock Exchange and the New Zealand Stock Exchange. Mr. Springford is also the chairman of Asia Timber Products Company Ltd. and GS Paper and Packaging Sdn Bhd, both being CVC group's unlisted portfolio companies.

Mr. David Murray Lonie (appointed on 17 July 2008), aged 58, holds an Engineering Degree from Melbourne University in Australia and a Master of Science Degree from the University of Newcastle in Australia. Mr. Lonie has held senior operational and sales management roles in the paper industry in Australia and New Zealand over the last 30 years. In the late 1990's, Mr. Lonie was the business development director for the Pulp and Paper Division of Fletcher Challenge Paper, a major listed New Zealand company at that time. From 2001 to 2003, Mr. Lonie was the chief executive of Carter Holt Harvey's Packaging Paper Division. Mr. Lonie is currently the deputy chairman of Asia Timber Products Company Ltd and GS Paper & Packaging Sdn Bhd, both being CVC group's unlisted portfolio companies.

Mr. Ho Chi Kit (appointed on 17 July 2008), aged 46, is a director of Asia Packaging Company Limited and the managing director of CVC, the adviser to the investment funds which ultimately own Asia Packaging Company Limited. Mr. Ho holds a B.S. (Honours) in Computer Science from the University of Manitoba and an M.B.A. from the University of British Columbia. He is also a Chartered Financial Analyst. Mr. Ho has been with CVC since 1999 and is currently responsible for CVC's investment activities in Hong Kong and China. Prior to CVC, Mr. Ho was an investment director of Citicorp Everbright China Fund where he actively led the fund's investments in China. Prior to that, he was the associate investment director of Citicorp Capital Asia Limited and assisted in building a regional investment portfolio. Mr. Ho is currently the vice chairman of Zhuhai Zhongfu Enterprise Co., Ltd., a Chinese company listed on the Shenzhen Stock Exchange. Mr. Ho is also a director of Asia Timber Products Company Ltd., a CVC group's unlisted portfolio company.

Mr. Lam Tsz-Wang, Alvin (appointed on 17 July 2008), aged 36, is a director of Asia Packaging Company Limited and a director of CVC, the adviser to the investment funds which ultimately own Asia Packaging Company Limited. Mr. Lam holds a B.S. from the Massachusetts Institute of Technology, an M.B.A. from the Wharton School, University of Pennsylvania, and an MA in International Studies from the University of Pennsylvania. Mr. Lam has been with CVC for two and a half years, and was previously a principal with the Boston Consulting Group based in Hong Kong. Mr. Lam is currently a director of Zhuhai Zhongfu Enterprise Co., Ltd., a Chinese company listed on the Shenzhen Stock Exchange. Mr. Lam is also a director of Asia Timber Products Company Ltd., a CVC group's unlisted portfolio company.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (Continued)

Independent non-executive directors

Mr. Yip Yu Bun, MH, aged 81, has been a director of the Company since 1994. He is the Managing Director of The Green Pagoda Press Limited. He is the Honorary President of the Hong Kong Printers Association, the former Chairman of the Printing, Publishing & Newspaper Industry Safety and Health Committee of the Occupational Safety & Health Council and the former Chairman of the Printing Industry Training Board of the Vocational Training Council. He has over 40 years of experience in the printing industry.

Mr. Wong Siu Ping, aged 59, was a non-executive director of the Company from 2000 to 2002 and re-appointed as an independent non-executive director of the Company in July 2004. He is the Deputy General Manager, Finance Department of China Resources (Holdings) Company Limited. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1984. Mr. Wong has over 15 years of experience in financial management with a diversified business group in Hong Kong.

Mr. Yap, Alfred Donald, JP, aged 69, is presently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. He is the former president of The Law Society of Hong Kong and of The Law Association for Asia and The Pacific (LAWASIA). He has served and presently still serves on various public and community bodies. Mr. Yap is currently an independent non-executive director of eSun Holdings Limited, and Wong's International (Holdings) Limited, which are listed on the Stock Exchange of Hong Kong Limited. He became a director of the Company in March 2005.

Senior management

Mr. Man Lim Huen, aged 74, is a director and co-founder of the Group's subsidiary, Tai Hing Paper Products Company, Limited. He is an advisor to the Group's subsidiary, Hung Hing Printing (China) Company Limited. He has over 30 years of experience in production and factory management in the corrugated carton industry. He has been with the Group since 1966.

Mr. Chan Siu Man, Alvin, aged 50, is the executive director of the Group's subsidiary, Hung Hing Off-Set Printing Company, Limited and is responsible for sales and marketing. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is a son-in-law of Mr. Yam Cheong Hung.

Senior management (Continued)

Mr. Sung Chee Keung, aged 49, is the Operation Officer of the Zhongshan Region, the People's Republic of China (the "PRC"). He is responsible for overseeing the operation of the Group's manufacturing facilities in Zhongshan, PRC. He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A. He has 20 years of experience in the printing industry and has been with the Group since 1986.

Mr. Chan Lai Him, Raymond, aged 51, is the executive director of the Group's subsidiary, Tai Hing Paper Products Company, Limited and is responsible for its general management. He holds a Bachelor of Arts degree in Commerce from the University of Toronto. He has over 16 years of experience in different manufacturing industries and has been with the Group since 1999. He is a son-in-law of Mr. Yam Cheong Hung.

Mr. Chan Tai Ho, aged 59, is the General Manager of the Group's subsidiary, Tai Hing Paper Products Company, Limited and is responsible for sales and marketing. He has over 30 years of experience in the corrugated carton industry and has been with the Group since 1969.

Mr. Song Zhi Yi, aged 47, is the General Manager of the Group's subsidiary, Hung Hing Printing (China) Company Limited and is responsible for its general management. He holds a Bachelor's degree in Forestry from the Southern China University, the People's Republic of China. He has been with the Group since 1990.

Ms. Chong Wai Kan, Winky, aged 38, is the General Manager of the Group's subsidiary, Sun Hing Paper Company, Limited and is responsible for its general management. She has over 10 years of experience in sales and marketing in paper trading. She has been with the Group since 1992.

Mr. Tung Yu Biu, aged 59, is the Financial Controller and Company Secretary of the Company and is responsible for the financial and secretarial affairs of the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, he had 5 years of experience with a major international accounting firm in Hong Kong and 11 years of experience in financial management with a multinational company in Hong Kong. He has been with the Group since 1992.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (Continued)

Senior management (Continued)

Mr. Lee Kwok Wai, Raymond, aged 48, is the General Manager of the Group's subsidiaries Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited and is responsible for their general management. He holds a Bachelor of Economics degree in Finance and a Master of Business Administration degree from Royal Melbourne Institute of Technology, Australia. Prior to joining the Group, he had extensive experience in finance, manufacturing, sales and marketing with multinational companies in Mainland China. He has worked in the paper manufacturing industry over 10 years. He has been with the Group since 2007.

Mr. Wong Fu Cheung, Dennis, aged 48, is the Deputy General Manager, MIS, Compliance and Standards of the Company and is responsible for information technology, social responsibility and quality assurance. He holds a Bachelor of Science degree with Honours in Computational and Statistical Science from the University of Liverpool, the United Kingdom. He has been with the Group since 1992.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the financial statements, no director had a material interest, either 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 the year.

DIRECTORS' INTERESTS IN SHARES AND CONVERTIBLE BONDS

At 31 March 2008, the interests of the directors in the share capital and convertible bonds of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage of the Company's issued share capital
			(Note)		
Yam Cheong Hung	2,284,000	1,650,207	284,592,379	288,526,586	48.03
Yum Chak Ming, Matthew	9,374,537	—	—	9,374,537	1.56
Yum Pui Ming, Anna	1,246,135	951,134	—	2,197,269	0.37
Yap, Alfred Donald	27,504	—	—	27,504	—

Note: Yam Cheong Hung, and his family own C.H. Yam International Limited, which directly holds 89,329,189 shares of the Company and indirectly holds 195,263,190 shares of the Company through its subsidiary, Hung Tai Industrial Company Limited.

Save as disclosed above, as at 31 March 2008, none of the directors had registered an interest or short position in the shares or underlying shares or convertible bonds of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND CONVERTIBLE BONDS

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or convertible bonds of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2008, the following interests of 5% or more of the issued share capital and convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Yam Cheong Hung	(a)	Directly beneficially owned and through controlled corporation and his spouse	288,526,586	48.03
C.H. Yam International Limited	(a)	Directly beneficially owned and through controlled corporation	284,592,379	47.37
C.H. Yam Holding Limited	(a)	Through controlled corporation	195,263,190	32.50
Hung Tai Industrial Company Limited	(a)	Directly beneficially owned	195,263,190	32.50
Aberdeen Asset Management PLC		Through controlled corporation	30,112,000	5.01
Commonwealth Bank of Australia		Through controlled corporation	54,244,491	9.03
Morgan Stanley		Through controlled corporation	30,249,995	5.04
Franklin Templeton Investments Corporation		Through controlled corporation	30,857,747	5.14
Capital Research and Management Company		Through controlled corporation	46,223,000	7.69

Short position:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Morgan Stanley	Through controlled corporation	28,549,315	4.75

Note:

(a) *C.H. Yam International Limited is a company owned by Yam Cheong Hung and his family. C.H. Yam International Limited in turn owns Hung Tai Industrial Company Limited as to 96.6% through its wholly-owned subsidiary, C.H. Yam Holding Limited. Further, under the SFO, Yam Cheong Hung is deemed to be interested in the 1,650,207 shares (0.27% of the Company's issued share capital) owned by his spouse.*

There is a duplication of interests of 195,263,190 shares in the Company among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Save as disclosed above, as at 31 March 2008, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and convertible bonds" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 43 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young and Nexia Charles Mar Fan & Co. retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yam Cheong Hung

Chairman

Hong Kong, 17 July 2008

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principle of the Company emphasizes on accountability and transparency and is adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2008 with the exception that the Non-executive Directors are not appointed for a specific term. However under the Articles of Association of the Company one-third of the directors who have served longest on the Board shall retire from office by rotation in every year at the annual general meeting. Hence every director of the Company is subject to retirement by rotation at least once every three years and the terms of appointment of the Non-executive Directors are limited accordingly.

BOARD COMPOSITION AND BOARD PRACTICES

Prior to 17 July 2008, the Board of Directors (the "Board") of the Company is composed of 9 Directors, including the Chairman and the Managing Director who are Executive Directors, 2 additional Executive Directors, 3 Independent Non-executive Directors and 2 Non-executive Directors. All the Independent Non-executive Directors have appropriate professional qualifications, experience, or accounting or related financial management expertise. The Directors biography and relevant relationships amongst them are set out in the Biographical Details of Directors section on pages 22 to 26 of this Annual Report.

Review will be made regularly on the Board to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Company and its subsidiaries (the "Group"). Also, a balanced composition of Executive Directors and Non-executive Director is maintained to ensure independence and effective management. The Company has satisfied the Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise to sit in the Audit Committee.

Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 and Appendix 16(12B) of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company still considers that all Independent Non-executive Directors to be independent.

BOARD COMPOSITION AND BOARD PRACTICES (Continued)

When selecting potential candidates for directors, skills, experience, expertise, his devotion of time, conflicts of interests are key factors for consideration. No Nomination Committee has been set up, and, hence, the nomination and selection process are performed by the Board.

The Board is accountable to shareholders and is responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

The roles of the Chairman and the Managing Director who is the chief executive officer of the Company are separate with division of duties and responsibilities to ensure a balance of power and authority. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Directors. They report periodically to the Board their work and business decisions.

The Board meets regularly and held five full board meetings in 2007/08

	Attendance
Executive Directors	
Yam Cheong Hung *(Chairman)*	3/5
Yum Chak Ming, Matthew *(Managing Director)*	5/5
Yam Ho Ming, Michael	4/5
Yam Hon Ming, Tommy	4/5
Non-executive Directors	
Chu Shu Ho, David	1/5
Yum Pui Ming, Anna	4/5
Independent Non-executive Directors	
Wong Siu Ping	5/5
Yap Alfred Donald	4/5
Yip Yu Bun	5/5

BOARD COMPOSITION AND BOARD PRACTICES (Continued)

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in persons or through other means of electronic communication. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Directors have full access to information on the Group and are able to obtain independent professional advice whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules. The Chairman or the Managing Director (other than himself) are persons to be notified for securities dealings by Directors and a designed form is used for notification and acknowledgement purpose.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 March 2008.

INTERNAL CONTROL

The Company places great importance on internal control and risk management to safeguard the assets of the Company and the interests of shareholders. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. The Board conducted a review of the Group's internal control system for the year ended 31 March 2008 including financial, operational and compliance controls and risk management functions. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee and the Company's Internal Audit Department.

Based on the assessment of risk exposure, the Internal Audit Department formulates audit plan and ensures the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee on a regular interval. Special review may also be performed on areas of concern identified by management or the Audit Committee from time to time.

INTERNAL CONTROL (Continued)

The Internal Audit Department monitors the internal control procedures and systems of the Group and reports its findings and recommendations to management, and the Audit Committee on regular interval. The department also monitors the follow-up actions agreed upon in response to its recommendations.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 35 to 36 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 March 2008, the Auditors of the Company will receive approximately HK$2,764,000 for their audit service. Non-audit service which covered taxation service provided to the Group was approximately HK$46,000 in 2007/08.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 29 August 2005 with specific terms of reference and comprises of three Independent Non-executive Directors, Mr. Alfred Donald Yap (Committee Chairman), Mr. Yip Yu Bun and Mr. Wong Siu Ping. The Committee met twice in 2007/08 with a 100% attendance by all of the Committee members. The policy and the practices for the remuneration of Executive Directors and the Senior Management were reviewed by the Committee. Remuneration, including basic salary, performance bonus, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability. Annual salary adjustment and profit linked performance bonus are subject to review and approval by the Committee.

Executive Directors are not eligible for additional remuneration of director fee for Board activities and director fee of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors, Mr. Yip Yu Bun (Committee Chairman), Mr. Wong Siu Ping and Mr. Alfred Donald Yap. The Audit Committee met twice in 2007/08 with a 100% attendance by all of the Audit Committee members. The Company's Internal Audit Department has a duty to report its work to the Audit Committee on a regular interval. The principal duties of the Audit Committee include the review of the Internal Audit Department's audit plan and progress reports with management and the external auditors, participation in the discussion of appointment of external auditors and review of their independence, review of the Group's interim results and annual results and their related financial statements for submission to the Board for approval. The Committee's authority and duties are set out in its terms of reference which is substantially the same as the CG Code.

The Committee is satisfied with the findings of their review of the work of the external auditors, their audit fees, results of their audits and has recommended to the Board their re-appointment in 2008/09 at the forthcoming annual general meeting.

ERNST & YOUNG
安 永

NEXIA INTERNATIONAL
NEXIA CHARLES MAR FAN & CO.
馬炎璋會計師行

To the shareholders of Hung Hing Printing Group Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Hung Hing Printing Group Limited set out on pages 37 to 128, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITORS' RESPONSIBILITY (Continued)

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's 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 Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F Two International Finance Centre
8 Finance Street, Central
Hong Kong

Nexia Charles Mar Fan & Co.
Certified Public Accountants
11/F Fortis Bank Tower
77–79 Gloucester Road
Hong Kong

Hong Kong, 17 July 2008

Consolidated Income Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	3,658,095	3,141,985
Cost of sales		(3,082,621)	(2,523,810)
Gross profit		575,474	618,175
Other income and gains	5	112,453	69,553
Distribution costs		(83,438)	(75,541)
Administrative and selling expenses		(265,332)	(242,832)
Other expenses		(40,071)	(5,483)
		299,086	363,872
Fair value gain on derivative component of convertible bonds	31	32,775	55,275
Fair value loss on derivative financial instruments not qualified as hedges, net	23	(157,473)	—
Finance costs	7	(142,744)	(61,493)
PROFIT BEFORE TAX	6	31,644	357,654
Tax	10	(35,039)	(50,123)
PROFIT/(LOSS) FOR THE YEAR		(3,395)	307,531
Attributable to:			
Equity holders of the parent	11	(17,799)	277,139
Minority interests		14,404	30,392
		(3,395)	307,531
DIVIDENDS	12		
Interim		45,059	57,074
Proposed final		9,243	120,156
		54,302	177,230
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		HK(3.0) cents	HK46.1 cents

Consolidated Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,619,897**	1,493,144
Prepaid land lease payments	15	**150,784**	147,700
Goodwill	16	**3,041**	3,041
Available-for-sale investments	17	**15,067**	11,554
Properties under construction	18	**40,844**	50,090
Deferred tax assets	32	**7,735**	4,731
Total non-current assets		**1,837,368**	1,710,260
CURRENT ASSETS			
Inventories	20	**855,800**	596,372
Accounts and bills receivable	21	**891,195**	757,120
Prepayments, deposits and other receivables	22	**61,398**	40,741
Derivative financial instruments	23	**5,389**	4,768
Structured deposits	24	**—**	375,818
Short-term note	25	**—**	23,095
Tax recoverable		**8,264**	—
Pledged time deposits	26	**322,492**	—
Cash and cash equivalents	26	**811,310**	603,584
Total current assets		**2,955,848**	2,401,498
CURRENT LIABILITIES			
Accounts payable	27	**264,133**	181,246
Tax payable		**19,360**	17,048
Other payables and accrued liabilities	28	**164,975**	120,367
Derivative component of convertible bonds	31	**—**	32,775
Derivative financial instruments	23	**126,682**	7,517
Structured borrowings	30	**22,655**	17,042
Convertible bonds	31	**11**	—
Interest-bearing bank and other borrowings	29	**785,353**	330,592
Total current liabilities		**1,383,169**	706,587

	Notes	2008 HK$'000	2007 HK$'000
NET CURRENT ASSETS		**1,572,679**	1,694,911
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,410,047**	3,405,171
NON-CURRENT LIABILITIES			
Convertible bonds	31	—	679,590
Interest-bearing bank and other borrowings	29	**893,485**	110,833
Structured borrowings	30	**42,163**	56,896
Deferred tax liabilities	32	**40,802**	36,550
Total non-current liabilities		**976,450**	883,869
Net assets		**2,433,597**	2,521,302
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	33	**60,078**	60,078
Reserves		**1,981,389**	1,986,974
Proposed final dividend	12	**9,243**	120,156
		2,050,710	2,167,208
Minority interests		**382,887**	354,094
Total equity		**2,433,597**	2,521,302

Yam Cheong Hung
Director

Yum Chak Ming, Matthew
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2008

		Attributable to equity holders of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve (note 16) HK$'000	Hedging reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (note 34(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006		60,078	724,845	966	(814)	(1,051)	328	74,638	11,783	1,046,284	120,156	2,037,213	317,017	2,354,230
Exchange realignment		—	—	—	—	—	—	—	28,247	—	—	28,247	15,758	44,005
Changes in fair value of available-for-sale investments	17	—	—	—	—	—	788	—	—	—	—	788	—	788
Net gain on cash flow hedge		—	—	—	—	702	—	—	—	—	—	702	—	702
Total income and expense recognised directly in equity		—	—	—	—	702	788	—	28,247	—	—	29,737	15,758	45,495
Profit for the year		—	—	—	—	—	—	—	—	277,139	—	277,139	30,392	307,531
Total income and expense for the year		—	—	—	—	702	788	—	28,247	277,139	—	306,876	46,150	353,026
Transfer to property, plant and equipment		—	—	—	—	349	—	—	—	—	—	349	—	349
Final 2006 dividend declared		—	—	—	—	—	—	—	—	—	(120,156)	(120,156)	—	(120,156)
Transfer from retained profits		—	—	—	—	—	—	14,603	—	(14,603)	—	—	—	—
Interim 2007 dividend	12	—	—	—	—	—	—	—	—	(57,074)	—	(57,074)	—	(57,074)
Proposed final 2007 dividend	12	—	—	—	—	—	—	—	—	(120,156)	120,156	—	—	—
Contribution from minority shareholders		—	—	—	—	—	—	—	—	—	—	—	17,096	17,096
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	—	—	—	(26,169)	(26,169)
At 31 March 2007		60,078	724,845*	966*	(814)*	—*	1,116*	89,241*	40,030*	1,131,590*	120,156	2,167,208	354,094	2,521,302

		Attributable to equity holders of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve (note 16) HK$'000	Hedging reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (note 34(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007		60,078	724,845	966	(814)	—	1,116	89,241	40,030	1,131,590	120,156	2,167,208	354,094	2,521,302
Exchange realignment		—	—	—	—	—	—	—	64,784	—	—	64,784	37,355	102,139
Changes in fair value of available-for-sale investments	17	—	—	—	—	—	3,618	—	—	—	—	3,618	—	3,618
Charged to the income statement upon disposal of available-for-sale investments		—	—	—	—	—	68	—	—	—	—	68	—	68
Net losses on cash flow hedge	23	—	—	—	—	(1,954)	—	—	—	—	—	(1,954)	—	(1,954)
Total income and expense recognised directly in equity		—	—	—	—	(1,954)	3,686	—	64,784	—	—	66,516	37,355	103,871
Profit/(loss) for the year		—	—	—	—	—	—	—	—	(17,799)	—	(17,799)	14,404	(3,395)
Total income and expense for the year		—	—	—	—	(1,954)	3,686	—	64,784	(17,799)	—	48,717	51,759	100,476
Final 2007 dividend declared		—	—	—	—	—	—	—	—	—	(120,156)	(120,156)	—	(120,156)
Transfer from retained profits		—	—	—	—	—	—	10,274	—	(10,274)	—	—	—	—
Interim 2008 dividend	12	—	—	—	—	—	—	—	—	(45,059)	—	(45,059)	—	(45,059)
Proposed final 2008 dividend	12	—	—	—	—	—	—	—	—	(9,243)	9,243	—	—	—
Contribution from minority shareholders		—	—	—	—	—	—	—	—	—	—	—	19,160	19,160
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	—	—	—	(42,126)	(42,126)
At 31 March 2008		60,078	724,845*	966*	(814)*	(1,954)*	4,802*	99,515*	104,814*	1,049,215*	9,243	2,050,710	382,887	2,433,597

* These reserve accounts comprise the consolidated reserves of HK$1,981,389,000 (2007: HK$1,986,974,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		31,644	357,654
Adjustments for:			
Bank interest income	5	(22,460)	(23,004)
Finance costs	7	142,744	61,493
Depreciation	6	134,278	122,307
Recognition of prepaid land lease payments	15	3,863	3,270
Loss on disposal of items of property, plant and equipment	6	113	236
Impairment on accounts receivable	6	20,427	3,801
Gain on disposal of available-for-sale investments	5	(225)	—
Dividend income from available-for-sale investments	5	(369)	(361)
Fair value gain on derivative component of convertible bonds		(32,775)	(55,275)
Fair value loss on derivative financial instruments not qualified as hedges, net	6	157,473	1,090
Fair value loss on short-term note	6	865	275
Fair value loss/(gain) on structured borrowings	5, 6	6,573	(257)
Fair value gain on structured deposits	5	(9,051)	(8,734)
		433,100	462,495
Increase in inventories		(259,428)	(95,658)
Increase in accounts and bills receivable		(155,581)	(218,475)
Decrease/(increase) in prepayments, deposits and other receivables		(21,811)	8,877
Increase in accounts payable		82,887	67,349
Increase/(decrease) in other payables and accrued liabilities		37,604	(21,507)
Cash generated from operations		116,771	203,081
Hong Kong profits tax paid		(9,509)	(24,339)
Mainland China tax paid		(30,134)	(20,509)
Net cash inflow from operating activities		77,128	158,233

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale investments		(737)	—
Proceeds from disposal of available-for-sale investments		1,135	—
Decrease/(increase) in a short-term note		22,230	(23,370)
Receipt from/(settlement of) derivative financial instruments		(41,298)	2,890
Receipt from structured deposits		387,743	9,525
Interest received		20,740	21,504
Dividend received from available-for-sale investments		369	361
Purchases of items of property, plant and equipment	14	(121,790)	(146,651)
Additions to prepaid land lease payments	15	—	(2,483)
Additions to properties under construction	18	(51,112)	(67,504)
Acquisition of subsidiaries	35	—	(136)
Proceeds from disposal of items of property, plant and equipment		2,798	3,631
Decrease/(increase) in time deposits with original maturity of over three months		180,002	(142,120)
Fair value adjustment on time deposits designated as hedging instruments		—	702
Increase in structured deposits		—	(379,340)
Increase in pledged time deposits		(322,492)	—
Net cash inflow/(outflow) from investing activities		77,588	(722,991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of convertible bonds	31	(791,314)	—
Dividends paid		(165,215)	(177,230)
Dividends paid to minority shareholders		(42,126)	(26,169)
New bank loans		1,302,767	150,710
Repayment of bank loans		(75,532)	(312,145)
Increase in trust receipt loans, net		10,619	6,252
Contributions from minority shareholders		19,160	17,096
Interest paid		(24,005)	(24,248)
New structured borrowings		—	78,100
Repayment of structured borrowings		(15,693)	(3,905)
Net cash inflow/(outflow) from financing activities		218,661	(291,539)

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**373,377**	(856,297)
Cash and cash equivalents at beginning of year		**422,638**	1,272,400
Effect of foreign exchange rate changes, net		**14,792**	6,535
CASH AND CASH EQUIVALENTS AT END OF YEAR		**810,807**	422,638
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**245,117**	184,710
Time deposits with original maturity of less than three months when acquired		**565,690**	238,369
Bank overdrafts, unsecured	29	**—**	(441)
		810,807	422,638

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**420**	272
Prepaid land lease payments	15	**10,437**	10,996
Available-for-sale investments	17	**422**	378
Interests in subsidiaries	19	**1,388,456**	1,231,537
Deferred tax assets	32	**26**	26
Total non-current assets		**1,399,761**	1,243,209
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	**614**	3,704
Derivative financial instruments	23	**655**	4,768
Structured deposits	24	**—**	375,818
Short-term note	25	**—**	23,095
Cash and cash equivalents	26	**520,355**	218,803
Total current assets		**521,624**	626,188
CURRENT LIABILITIES			
Other payables and accrued liabilities	28	**4,341**	3,867
Tax payable		**18**	18
Derivative financial instruments	23	**107,649**	7,393
Structured borrowings	30	**22,655**	17,042
Total current liabilities		**134,663**	28,320
NET CURRENT ASSETS		**386,961**	597,868

Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,786,722	1,841,077
NON-CURRENT LIABILITIES			
Interest-bearing bank loan	29	154,055	—
Structured borrowings	30	42,163	56,896
Due to subsidiaries	19	428,826	806,114
Total non-current liabilities		625,044	863,010
Net assets		1,161,678	978,067
EQUITY			
Issued capital	33	60,078	60,078
Reserves	34(b)	1,092,357	797,833
Proposed final dividend	12	9,243	120,156
Total equity		1,161,678	978,067

Yam Cheong Hung
Director

Yum Chak Ming, Matthew
Director

1. CORPORATE INFORMATION

Hung Hing Printing Group Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Hung Hing Printing Centre, 17–19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

- Printing and manufacturing of paper and carton boxes
- Manufacturing of paper
- Manufacturing of corrugated cartons
- Trading of paper

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for short-term note, structured deposits, structured borrowings, derivative financial instruments and available-for-sale investments, which have been measured at fair value, as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) Amendment to HKAS 1 *Presentation of Financial Statements — Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 42 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to its employees, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 — *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(f) HK(IFRIC)-Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, this interpretation has had no effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendments	Share-based Payments — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 2 clarify the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based arrangement.

HKFRS 3 (Revised) amended the definition of a business and a business combination and additional guidance was added for identifying when a group of assets constitutes a business. It also clarifies how the acquirer makes any classifications, designations or assessments for the identifiable assets acquired and liabilities assumed in a business combination.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

HKAS 1 has been revised to affect the presentation of owner changes in equity and comprehensive income. The revised standard will use "statement of financial position" and "statement of cash flows" to replace the titles "balance sheet" and "cash flow statement", and in making reference to these two statements within a complete set of financial statements. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all others items of recognised income and expense, either in one single statement, or in two linked statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset.

HKAS 27 has been revised to add new term "non-controlling interest" to replace the term "minority interest", and required the changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity measures any gain or loss arising on the loss of control of a subsidiary.

HKAS 32 and HKAS 1 Amendments permitted a range of entities to recognise their capital as equity rather than as financial liabilities, and required additional disclosures for puttable financial instruments classified as equity. The amendment reinforces that this is a limited scope exception to the definition of a financial liability and no analogies should be made to these requirements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 may result in new or amended disclosures, these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries (Continued)

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's share of the fair values of the identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 April 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill on acquisitions for which the agreement date is on or after 1 April 2005 (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets other than goodwill (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than properties under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is provided so as to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates and bases used are as follows:

Buildings situated in Hong Kong	Over the lease terms
Buildings situated in Mainland China	Over the shorter of the lease terms and useful lives which is 2.5–10% on the straight-line basis
Plant and machinery	10–20% on the reducing balance basis
Motor vehicles	30% on the reducing balance basis
Furniture, fixtures and equipment	20–30% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under construction

Properties under construction represent buildings under construction on sites in Mainland China whose land use rights have been acquired by the Group, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction. Properties under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. 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.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include 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 sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. 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. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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 carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a 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 by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expenses is recognised within "finance costs" in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings) (Continued)

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement includes any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability 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 liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible bonds (Continued)

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Derecognition of financial liabilities

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

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, cross currency swaps, callable currency swaps, foreign currency options and structured forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedging (Continued)

The fair value of certain forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of other derivatives are determined with reference to the fair value quoted by investment bankers.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedging (Continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials includes the cost of purchased materials determined using the weighted average basis. The cost of finished goods and work in progress includes direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Staff retirement schemes

The Group operates a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF 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 MPF Scheme.

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 were only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends (Continued)

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Presentation of convertible bonds and fair value of derivative component of convertible bonds

Convertible bonds of the Group are presented into the derivative component and the liability component of the convertible bonds upon the adoption of HKAS 39 in the current year. This requires an initial recognition of the derivative component and the liability component at fair value.

The derivative component initially recognised and subsequently measured at fair value is determined by an option pricing model.

The amount of liability component initially recognised is determined with reference to the net proceeds from the issuance of the convertible bonds and the fair value of derivative component at initial recognition. The liability component is subsequently measured at amortised cost using the effective interest rate method until it is extinguished on conversion or redemption.

The fair value of the derivative component and the carrying amount of the liability component of convertible bonds at 31 March 2008 were nil and HK$11,000 (2007: HK$32,775,000 and HK$679,590,000), respectively (note 31).

Fair value of derivative instruments

The fair value of structured derivative instruments is the estimated amount that the Group would receive or pay to terminate these derivative instruments at the balance sheet date, taking into account current market conditions.

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for obsolete inventories

Management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences arising from impairment on receivables to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences on impairment on receivables as at 31 March 2008 was HK$7,549,000 (2007: HK$6,312,000). The Group has not recognised tax losses at 31 March 2008 and 2007. The amount of unrecognised tax losses at 31 March 2008 was HK$249,643,000 (2007: HK$68,113,000). Further details are contained in note 32 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment allowances on accounts receivable

The Group regularly reviews its portfolio of accounts receivable to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group considers whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of accounts receivable before the decrease can be identified with an individual receivable balance in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs from previous calculation, the provision estimated would be changed.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the paper and carton box printing and manufacturing segment;

(b) the paper manufacturing segment;

(c) the corrugated carton manufacturing segment; and

(d) the paper trading segment.

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

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

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

	Paper and carton box printing and manufacturing		Paper manufacturing		Corrugated carton manufacturing		Paper trading		Eliminations		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Segment revenue:												
Sales to external customers	1,770,657	1,572,656	830,173	749,817	593,045	538,487	464,220	281,025	—	—	3,658,095	3,141,985
Intersegment sales	42,130	34,702	178,335	139,596	116,775	108,696	361,997	342,673	(699,237)	(625,667)	—	—
Total	1,812,787	1,607,358	1,008,508	889,413	709,820	647,183	826,217	623,698	(699,237)	(625,667)	3.658.095	3,141,985
Segment results	159,100	210,580	27,588	79,814	45,490	24,697	62,519	35,454	(59)	(610)	294,638	349,935
Interest, dividend income and other gains											31,600	36,918
Corporate and unallocated expenses											(27,152)	(22,981)
											299,086	363,872
Fair value gain on derivative component of convertible bonds											32,775	55,275
Fair value loss on derivative financial instruments not qualified as hedges, net											(157,473)	—
Finance costs											(142,744)	(61,493)
Profit before tax											31,644	357,654
Tax											(35,039)	(50,123)
Profit/(loss) for the year											(3,395)	307,531

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Paper and carton box printing and manufacturing		Paper manufacturing		Corrugated carton manufacturing		Paper trading		Eliminations		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Assets and liabilities												
Segment assets	1,838,507	1,560,400	1,120,003	681,057	779,977	718,219	682,314	438,376	(193,494)	(139,408)	4,227,307	3,258,644
Unallocated assets	—	—	—	—	—	—	—	—	—	—	565,909	853,114
Total assets	1,838,507	1,560,400	1,120,003	681,057	779,977	718,219	682,314	438,376	(193,494)	(139,408)	4,793,216	4,111,758
Segment liabilities	298,848	234,127	152,513	82,253	112,058	81,697	54,067	28,493	(193,494)	(139,408)	423,992	287,162
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	1,935,627	1,303,294
Total liabilities	298,848	234,127	152,513	82,253	112,058	81,697	54,067	28,493	(193,494)	(139,408)	2,359,619	1,590,456
Other segment information:												
Depreciation	70,545	59,394	26,929	26,397	33,628	33,094	3,052	3,312	—	—	134,154	122,197
Unallocated depreciation	—	—	—	—	—	—	—	—	—	—	124	110
	70,545	59,394	26,929	26,397	33,628	33,094	3,052	3,312	—	—	134,278	122,307
Capital expenditure	145,055	188,291	19,152	16,077	8,184	11,761	168	509	—	—	172,559	216,638
Unallocated capital expenditure	—	—	—	—	—	—	—	—	—	—	343	—
	145,055	188,291	19,152	16,077	8,184	11,761	168	509	—	—	172,902	216,638
Impairment on accounts receivable	16,070	2,523	2,807	1,163	1,550	115	—	—	—	—	20,427	3,801

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2008 and 2007.

	Hong Kong		Mainland China		Europe		United States of America		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:												
Sales to external customers	1,315,169	1,204,090	1,401,854	1,141,811	528,602	383,256	289,168	268,412	123,302	144,416	3,658,095	3,141,985
Other segment information:												
Segment assets	1,091,870	1,067,007	3,501,917	2,826,349	111,955	97,120	52,226	59,130	35,248	62,152	4,793,216	4,111,758
Capital expenditure	13,543	38,595	159,359	178,043	—	—	—	—	—	—	172,902	216,638

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced sales, net of allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Revenue — Sale of goods		**3,658,095**	3,141,985
Other income and gains:			
Dividend income from available-for-sale investments		**369**	361
Bank interest income		**22,460**	23,004
Fair value gains, net:			
Structured deposits	24	**9,051**	8,734
Structured borrowings	30	**—**	257
Gain on disposal of available-for-sale investments		**225**	—
Exchange differences, net		**57,935**	25,507
Sundry income		**22,413**	11,690
		112,453	69,553

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Depreciation	14	134,278	122,307
Recognition of prepaid land lease payments	15	3,863	3,270
Auditors' remuneration		2,764	2,463
Employee benefits expense (including directors' remuneration — note 8):			
Wages, salaries and other allowances		516,668	445,312
Retirement scheme contributions		24,871	22,422
Less: Forfeited contributions*		(54)	(62)
Net retirement scheme contributions		24,817	22,360
Total employee benefits expense		541,485	467,672
Minimum lease payments under operating leases in respect of land and buildings		8,042	7,233
Impairment on accounts receivable	21	20,427	3,801
Loss on disposal of items of property, plant and equipment		113	236
Fair value losses, net:			
Derivative financial instruments not qualified as hedges**	23	157,473	1,090
Structured borrowings	30	6,573	—
		164,046	1,090
Short-term note	25	865	275

* At 31 March 2008, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years (2007: Nil).

** The net fair value loss on derivative financial instruments not qualified as hedges, for the year ended 31 March 2008 is separately presented on the face of the consolidated income statement since, in the opinion of the directors, it is individually significant. The comparative balance for the year ended 31 March 2007 was included in "Other expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interests on early redemption of convertible bonds (note 31)	71,031	—
Interests on convertible bonds (note 31)	40,704	38,405
Interests on bank loans	31,009	23,088
	142,744	61,493

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2008	2007
	HK$'000	HK$'000
Fees:		
Executive directors	—	—
Non-executive directors	420	420
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	12,185	12,826
Retirement scheme contributions	400	396
Discretionary bonuses	8,279	11,131
	21,284	24,773

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008 HK$'000	2007 HK$'000
Yip Yu Bun	100	100
Wong Siu Ping	100	100
Yap, Alfred Donald	120	120
	320	320

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Yam Cheong Hung	—	5,564	215	2,309	8,088
Yum Chak Ming, Matthew	—	3,017	124	1,990	5,131
Yam Ho Ming, Michael	—	1,092	—	1,990	3,082
Yam Hon Ming, Tommy	—	2,512	61	1,990	4,563
	—	12,185	400	8,279	20,864
Non-executive directors:					
Chu Shu Ho, David	50	—	—	—	50
Yum Pui Ming, Anna	50	—	—	—	50
	100	—	—	—	100
	100	12,185	400	8,279	20,964

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses HK$'000	Total remuneration HK$'000
2007					
Executive directors:					
Yam Cheong Hung	—	5,984	215	3,424	9,623
Yum Chak Ming, Matthew	—	3,334	122	4,673	8,129
Yam Ho Ming, Michael	—	1,136	—	1,667	2,803
Yam Hon Ming, Tommy	—	2,372	59	1,367	3,798
	—	12,826	396	11,131	24,353
Non-executive directors:					
Chu Shu Ho, David	50	—	—	—	50
Yum Pui Ming, Anna	50	—	—	—	50
	100	—	—	—	100
	100	12,826	396	11,131	24,453

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: four) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining one (2007: one) non-director, highest paid employee for the year are as follows:

	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	**1,191**	1,155
Retirement scheme contributions	**48**	46
Discretionary bonuses paid and payable	**778**	1,881
	2,017	3,082

The remuneration of the non-director, highest paid employee fell within the following band:

	Number of employees	
	2008	2007
HK$2,000,001–HK$2,500,000	**1**	—
HK$3,000,001–HK$3,500,000	**—**	1
	1	1

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008 HK$'000	2007 HK$'000
Group:		
Current — Hong Kong		
— Charge for the year	20,933	10,982
— Overprovision in prior years	—	(1,325)
Current — Mainland China		
— Charge for the year	21,774	33,044
— Tax refund#	(9,076)	(6,816)
— Underprovision in prior years	60	—
Deferred tax (note 32)	1,348	14,238
Total tax charge for the year	35,039	50,123

Under certain PRC local income tax laws, a company is entitled to certain tax refund concession, representing the difference between the statutory tax rate and the reduced concession tax rate, upon successful application as an "export enterprise" whereby more than 70% of its turnover is derived from export sales. During the year, a subsidiary of the Group was granted such status from relevant authorities in respect of its operations in prior years and was entitled to a tax refund.

10. TAX (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory rates for the locations in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

Group

	2008		
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	(98,195)	129,839	31,644
Tax at the statutory tax rate	(17,184)	32,460	15,276
Lower tax rates for local authority*	—	(8,834)	(8,834)
Profits not subject to tax, due to concession**	—	(2,701)	(2,701)
Adjustment in respect of current tax of previous period	—	(60)	(60)
Tax refund	—	(9,076)	(9,076)
Income not subject to tax	(14,378)	(784)	(15,162)
Expenses not deductible for tax	22,323	1,972	24,295
Tax losses utilised from previous period	—	(542)	(542)
Tax losses not recognised	26,436	5,407	31,843
Tax charge at the Group's effective rate	17,197	17,842	35,039

10. TAX (Continued)

	2007		
	Hong Kong	Mainland China	Total
	HK$'000	HK$'000	HK$'000
Profit before tax	135,989	221,665	357,654
Tax at the statutory tax rate	23,798	73,149	96,947
Lower tax rates for local authority*	—	(30,071)	(30,071)
Profits not subject to tax, due to concession**	—	(7,412)	(7,412)
Effect on deferred tax due to change in tax rates***	—	5,628	5,628
Adjustment in respect of current tax of previous period	(1,325)	—	(1,325)
Tax refund	—	(6,816)	(6,816)
Income not subject to tax	(15,263)	(1,349)	(16,612)
Expenses not deductible for tax	7,285	986	8,271
Tax losses utilised from previous period	—	(245)	(245)
Tax losses not recognised	786	972	1,758
Tax charge at the Group's effective rate	15,281	34,842	50,123

* Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at rate of 25% (2007: 33%). Pursuant to the notice on the Implementation Rules for Grandfather Policy under the New Corporate Income Tax Law issued by the State Council of the PRC on 26 December 2007, effective from 1 January 2008, the preferential tax rates enjoyed by certain subsidiaries are subject to the annual renewal requirement and the remaining subsidiaries are subject to the unified tax rate of 25%.

** In addition to preferential CIT rates granted to the Group's certain subsidiaries in Mainland China, tax holiday was also granted by the relevant authorities to these subsidiaries, where CIT is exempted for the first two profitable years of the subsidiaries and is chargeable at half of the applicable rate for the next subsequent three years.

*** Under the new CIT Law approved by the National People's Congress on 16 March 2007 which shall become effective on 1 January 2008, the corporate income tax rate shall unify at 25%.

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent of HK$17,799,000 (2007: profit of HK$277,139,000) for the year ended 31 March 2008 includes a profit of HK$348,781,000 (2007: HK$178,407,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend of HK7.5 cents (2007: HK9.5 cents) per ordinary share	**45,059**	57,074
Proposed final dividend of HK1.0 cent (2007: HK20.0 cents) per ordinary share	**9,243**	120,156
	54,302	177,230

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share amount is based on the loss for the year attributable to equity holders of the parent of HK$17,799,000 (2007: profit of HK$277,139,000) and the weighted average of 600,780,529 (2007: 600,780,529) shares in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share amounts for the years ended 31 March 2008 and 31 March 2007 have not been presented as the convertible bonds had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 March 2008					
At 1 April 2007:					
Cost	611,629	1,570,930	34,892	81,060	2,298,511
Accumulated depreciation	(107,117)	(622,876)	(24,221)	(51,153)	(805,367)
Net carrying amount	504,512	948,054	10,671	29,907	1,493,144
At 1 April 2007, net of accumulated depreciation	504,512	948,054	10,671	29,907	1,493,144
Additions	8,104	100,329	5,268	8,089	121,790
Transfer from properties under construction (note 18)	28,489	21,154	—	13,579	63,222
Disposals	—	(2,081)	(810)	(20)	(2,911)
Depreciation provided during the year	(19,665)	(102,335)	(3,722)	(8,556)	(134,278)
Exchange realignment	28,059	49,522	329	1,020	78,930
At 31 March 2008, net of accumulated depreciation	549,499	1,014,643	11,736	44,019	1,619,897
At 31 March 2008:					
Cost	680,560	1,760,549	36,363	106,286	2,583,758
Accumulated depreciation	(131,061)	(745,906)	(24,627)	(62,267)	(963,861)
Net carrying amount	549,499	1,014,643	11,736	44,019	1,619,897

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 March 2007					
At 1 April 2006:					
Cost	542,286	1,411,036	33,528	67,307	2,054,157
Accumulated depreciation	(88,213)	(523,821)	(23,334)	(45,212)	(680,580)
Net carrying amount	454,073	887,215	10,194	22,095	1,373,577
At 1 April 2006, net of accumulated depreciation	454,073	887,215	10,194	22,095	1,373,577
Additions	2,463	131,999	4,875	7,314	146,651
Acquisition of a subsidiary (note 35)	57	—	—	92	149
Transfer from properties under construction (note 18)	53,821	4,461	—	5,761	64,043
Disposals	—	(2,852)	(853)	(162)	(3,867)
Depreciation provided during the year	(17,589)	(95,241)	(3,403)	(6,074)	(122,307)
Transfer from hedging reserve	—	349	—	—	349
Exchange realignment	11,687	22,123	(142)	881	34,549
At 31 March 2007, net of accumulated depreciation	504,512	948,054	10,671	29,907	1,493,144
At 31 March 2007:					
Cost	611,629	1,570,930	34,892	81,060	2,298,511
Accumulated depreciation	(107,117)	(622,876)	(24,221)	(51,153)	(805,367)
Net carrying amount	504,512	948,054	10,671	29,907	1,493,144

Certain buildings and plant and machinery of the Group with a total net book value of HK$306,588,000 (2007: HK$266,834,000) have been pledged to secure banking facilities granted to the Group (note 29).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 March 2008			
At 1 April 2007:			
Cost	3,002	827	3,829
Accumulated depreciation	(2,826)	(731)	(3,557)
Net carrying amount	176	96	272
At 1 April 2007, net of accumulated depreciation	176	96	272
Additions	343	—	343
Disposals	(71)	—	(71)
Depreciation provided during the year	(100)	(24)	(124)
At 31 March 2008, net of accumulated depreciation	348	72	420
At 31 March 2008:			
Cost	1,976	827	2,803
Accumulated depreciation	(1,628)	(755)	(2,383)
Net carrying amount	348	72	420
31March 2007			
At 1 April 2006:			
Cost	3,321	827	4,148
Accumulated depreciation	(3,063)	(697)	(3,760)
Net carrying amount	258	130	388
At 1 April 2006, net of accumulated depreciation	258	130	388
Disposals	(6)	—	(6)
Depreciation provided during the year	(76)	(34)	(110)
At 31 March 2007, net of accumulated depreciation	176	96	272
At 31 March 2007:			
Cost	3,002	827	3,829
Accumulated depreciation	(2,826)	(731)	(3,557)
Net carrying amount	176	96	272

15. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at 1 April	**147,700**	145,531	**10,996**	11,555
Additions	**—**	2,483	**—**	—
Recognised during the year	**(3,863)**	(3,270)	**(559)**	(559)
Exchange realignment	**6,947**	2,956	**—**	—
Carrying amount at 31 March	**150,784**	147,700	**10,437**	10,996

The Group's leasehold lands are situated in Hong Kong and Mainland China and are held under the following lease terms:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong:				
Medium term leases	**20,507**	21,047	**—**	—
Mainland China:				
Medium term land use rights	**130,277**	126,653	**10,437**	10,996
Carrying amount at 31 March	**150,784**	147,700	**10,437**	10,996

Certain leasehold lands of the Group with total net book value of HK$49,728,000 (2007: HK$47,478,000) have been pledged to banks to secure banking facilities granted to the Group (note 29).

16. GOODWILL

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year and at 31 March:		
Cost and carrying amount	**3,041**	3,041

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permits goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the consolidated retained profits.

The amounts of goodwill remaining in consolidated capital reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$814,000 as at 31 March 2007 and 31 March 2008. The amount of goodwill is stated at its cost.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at fair value	**80**	80	**—**	—
Club debentures, at fair value	**6,209**	3,128	**422**	378
	6,289	3,208	**422**	378
Hong Kong listed equity investments, at market value	**8,778**	8,346	**—**	—
	15,067	11,554	**422**	378

During the year, the net gains on fair values of the Group's available-for-sale investments of HK$3,618,000 (2007: HK$788,000) were recognised directly in the available-for-sale investment revaluation reserve. The Group had also released deficits of HK$68,000 (2007: Nil) upon disposal of certain available-for-sale investments during the year.

17. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Available-for-sale investments consist of investments in listed and unlisted ordinary shares and club debentures, and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated by directors having regard to, inter alia, the prices of most recent reported sales or purchases of the securities. The directors believe that the estimated fair values resulting, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the consolidated reserves, are reasonable, and that they are the most appropriate values at the balance sheet date.

18. PROPERTIES UNDER CONSTRUCTION

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 April	**50,090**	46,058
Additions	**51,112**	67,504
Transfer to property, plant and equipment (note 14)	**(63,222)**	(64,043)
Exchange realignment	**2,864**	571
At 31 March	**40,844**	50,090

The properties under construction are located in Mainland China.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	407,961	407,961
Due from subsidiaries	981,848	824,929
	1,389,809	1,232,890
Impairment	(1,353)	(1,353)
	1,388,456	1,231,537
Due to subsidiaries	(428,826)	(806,114)

The balances with subsidiaries are unsecured, interest-free and not repayable within one year. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK$100	100	—	Production and trading of paper products and carton box
Sun Hing Paper Company, Limited	Hong Kong	HK$100	100	—	Paper trading
Hung Hing Printing (China) Company, Limited§§	People's Republic of China (the "PRC")/ Mainland China	HK$566,000,000	—	100	Production and colour printing of paper products
Tai Hing Paper Products Company, Limited	Hong Kong	HK$100	100	—	Trading of corrugated cartons
Piguet Graphic & Prints Company Limited	Hong Kong	HK$1,000,000	100	—	Provision of colour separation services
Zhongshan Hung Hing Printing & Packaging Company Limited§	the PRC/Mainland China	US$18,000,000	—	56	Printing and manufacturing of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited§	the PRC/Mainland China	US$5,000,000	—	56	Production and colour printing of paper products
Hung Hing International Limited	British Virgin Islands ("BVI")/Mainland China	US$100	100	—	Investment holding
South Gain Enterprises Limited	Hong Kong	HK$1,700,000	—	56	Selling and purchasing agent
Po Hing Packaging (Shenzhen) Company Limited§§	the PRC/Mainland China	US$11,200,000	—	100	Printing and manufacturing of paper cartons
Zhongshan South Gain Paper Products Company Limited§§	the PRC/Mainland China	US$15,000,000	—	56	Printing and manufacturing of paper cartons

19. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sun Hing Paper (Shenzhen) Company Limited§§	the PRC/Mainland China	HK$30,000,000	—	100	Paper trading
Hung Hing Packaging (Wuxi) Company Limited§§	the PRC/Mainland China	US$24,000,000	100	—	Production and colour printing of paper products
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited ("Rengo")§	the PRC/Mainland China	US$28,830,000	51	8	Paper manufacturing
Zhongshan Ren Hing Paper Manufacturing Company Limited ("Ren Hing") §	the PRC/Mainland China	US$14,710,000	51	8	Paper manufacturing
Hung Hing Printing (Heshan) Company Limited§§	the PRC/Mainland China	HK$180,000,000	—	100	Production and colour printing of paper products
Greatest Joy Investments Limited	BVI/Hong Kong	US$1	100	—	Issue of convertible bonds
Sinope Design Group Limited	Hong Kong	HK$2	100	—	Provision of graphic design services

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 other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

20. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	671,813	423,859
Work in progress	67,382	60,157
Finished goods	116,605	112,356
	855,800	596,372

21. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivable are non-interest-bearing.

	Group	
	2008	2007
	HK$'000	HK$'000
Accounts receivable	818,911	715,280
Impairment	(38,746)	(26,843)
	780,165	688,437
Bills receivable	111,030	68,683
	891,195	757,120

21. ACCOUNTS AND BILLS RECEIVABLE (Continued)

An aged analysis of accounts receivable at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	**355,498**	268,849
31 to 60 days	**158,898**	176,874
61 to 90 days	**139,143**	122,232
Over 90 days	**126,626**	120,482
	780,165	688,437

The carrying amounts of the accounts and bills receivable approximate to their fair values.

The movements in provision for impairment of accounts receivable are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 April	**26,843**	31,094
Impairment losses recognised (note 6)	**20,427**	3,801
Amount written off as uncollectible	**(9,603)**	(8,577)
Exchange realignment	**1,079**	525
At 31 March	**38,746**	26,843

21. ACCOUNTS AND BILLS RECEIVABLE (Continued)

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$32,398,000 (2007: HK$21,091,000) with a carrying amount of HK$36,712,000 (2007: HK$31,562,000). The individually impaired accounts receivable relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**555,699**	483,310
Less than 1 month past due	**120,028**	124,224
Over 1 month past due	**104,438**	80,903
	780,165	688,437

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments and deposits	**51,214**	29,426	**251**	171
Other receivables	**10,184**	11,315	**363**	3,533
	61,398	40,741	**614**	3,704

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Forward currency contracts	**4,734**	218	**—**	218
Structured forward currency contracts	**655**	4,550	**655**	4,550
	5,389	4,768	**655**	4,768
Liabilities				
Forward currency contracts	**27,106**	1,127	**10,442**	1,003
Structured forward currency contracts	**97,207**	6,390	**97,207**	6,390
Interest rate swaps	**2,369**	—	**—**	—
	126,682	7,517	**107,649**	7,393

The carrying amounts of forward currency contracts, structured forward currency contracts and interest rate swaps approximate to their fair values. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Forward currency contracts and structured forward currency contracts

The Group has entered into various forward currency contracts and structured forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The net fair value losses of non-hedging currency derivatives amounting to HK$157,473,000 were charged to the consolidated income statement during the year (2007: HK$1,090,000) (note 6).

Interest rate swaps — cash flow hedge

At 31 March 2008, the Group had interest rate swap agreements in place with notional amounts, in aggregate, of HK$250,000,000 whereby it receives interest at variable rates equal to HIBOR on the notional amounts and pays interest at fixed rates ranging between 2.75% and 2.89% for a period of three years. The swap is used to hedge the exposure to variability of cash flows that is attributable to the Group's bank borrowings. These bank borrowings and the interest rate swap agreements have the same critical terms and the hedge of the interest rate swaps has been assessed to be highly effective. The decrease in fair value of this cash flow hedge net of deferred tax during the year ended 31 March 2008 of HK$1,954,000 (2007: Nil) was included in the hedging reserve.

24. STRUCTURED DEPOSITS

The Group's and Company's structured deposits at 31 March 2007 were held for trading. These structured deposits were classified as financial assets at fair value through profit or loss and carried at fair value. Changes in the fair value were recognised in the consolidated income statement. The yields from structured deposits are linked to certain market interest rates, currency exchange rates and bond index rate. The fair values of the structured deposits were determined based on the quoted prices from investment banks. The net fair value gains amounting to HK$9,051,000 were credited to the consolidated income statement during the year (2007: HK$8,734,000) (note 5).

During the year, the Group's and Company's structured deposits were fully settled.

25. SHORT-TERM NOTE

The Group's and Company's short-term note at 31 March 2007 was held for trading. This short-term note was classified as a financial asset at fair value through profit or loss and carried at fair value. Changes in the fair value were recognised in the consolidated income statement. The fair value of the short-term note was determined based on the quoted prices from an investment bank. The note with a principal amount of US$3,000,000 was matured during the year. 95% of the principal and yield which were linked to paper stock indices were received at maturity date. The net fair value losses amounting to HK$865,000 were charged to the consolidated income statement during the year (2007: HK$275,000) (note 6).

During the year, the Group's and Company's short-term note was fully settled.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**245,117**	184,710	**27,210**	2,449
Time deposits	**888,685**	418,874	**493,145**	216,354
	1,133,802	603,584	**520,355**	218,803
Less: Pledged time deposits	**(322,492)**	—	**—**	—
Cash and cash equivalents	**811,310**	603,584	**520,355**	218,803

At the balance sheet date, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$530,868,000 (2007: HK$357,747,000). The RMB is not freely convertible into other currencies, however, under Mainland China'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.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	**184,073**	147,540
31 to 60 days	**55,491**	30,419
61 to 90 days	**11,294**	421
Over 90 days	**13,275**	2,866
	264,133	181,246

The accounts payable are non-interest-bearing and are normally settled on 30-day terms.

28. OTHER PAYABLES AND ACCRUED LIABILITIES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**41,274**	34,760	**187**	183
Accrued liabilities	**123,701**	85,607	**4,154**	3,684
	164,975	120,367	**4,341**	3,867

Other payables are non-interest-bearing and have an average term of three months.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)		Maturity		Group	
	2008	2007	**2008**	2007	**2008**	2007
					HK$'000	HK$'000
Current						
Bank overdrafts — unsecured	—	8	—	On demand	—	441
Bank loans — unsecured	**2–6**	5	**2008**	2007	**351,886**	194,211
Bank loans — secured	**4–7**	5–6	**2008**	2007	**412,610**	125,702
Trust receipt loans	**2–3**	5	**2008**	2007	**20,857**	10,238
					785,353	330,592
Convertible bonds (note 31)	**6**	—	**On demand**	—	**11**	—
					785,364	330,592
Non-current						
Bank loans — unsecured	**2–4**	3–5	**2009–2012**	2008–2010	**893,485**	110,833
Convertible bonds (note 31)	**—**	6	**—**	2011	**—**	679,590
					893,485	790,423
					1,678,849	1,121,015

	Effective interest rate (%)		Maturity		Company	
	2008	2007	**2008**	2007	**2008**	2007
					HK$'000	HK$'000
Non-current						
Bank loan — unsecured	**2–4**	—	**2011**	—	**154,055**	—

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group	
	2008	2007
	HK$'000	HK$'000
Analysed into:		
Bank loans, bank overdrafts and trust receipt loans repayable:		
Within one year or on demand	785,353	330,592
In the second year	76,310	51,667
In the third to fifth years, inclusive	817,175	59,166
	1,678,838	441,425
Convertible bonds repayable:		
Within one year	11	—
In the third to fifth years, inclusive	—	679,590
	1,678,849	1,121,015

	Company	
	2008	2007
	HK$'000	HK$'000
Bank loan repayable in the third to fifth years, inclusive	154,055	—

Notes:

(a) The Group's banking facilities amounting to HK$445,673,000 (2007: HK$161,050,000), of which HK$412,610,000 (2007: HK$125,702,000) had been utilised as at the balance sheet date, are secured by the pledge of certain of the Group's buildings, plant and machinery, prepaid land lease payments and time deposits, which had an aggregate carrying value at the balance sheet date of approximately HK$678,808,000 (2007: HK$314,312,000) (notes 14, 15 and 26).

(b) All interest-bearing bank and other borrowings are denominated in Hong Kong dollars, except for the followings:

(i) secured bank loans of HK$32,366,000 (2007: HK$70,702,000) and unsecured bank loans of HK$22,321,000 (2007: HK$5,050,000) denominated in Renminbi; and

(ii) secured bank loans of HK$199,995,000 (2007: Nil) and unsecured bank loans of HK$167,277,000 (2007: Nil) denominated in United States dollars (the "US$").

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Other interest rate information:

	Group			
	2008		2007	
	Fixed rate HK$'000	Floating rate HK$'000	Fixed rate HK$'000	Floating rate HK$'000
Bank overdrafts — unsecured	—	—	—	441
Bank loans — unsecured	250,000	995,371	80,000	225,044
Bank loans — secured	330,569	82,041	120,651	5,051
Trust receipt loans	—	20,857	—	10,238

	Company			
	2008		2007	
	Fixed rate HK$'000	Floating rate HK$'000	Fixed rate HK$'000	Floating rate HK$'000
Bank loan — unsecured	—	154,055	—	—

The carrying amounts of the Group's borrowings approximate to their fair values. The fair values of borrowings have been calculated by discounting their expected future cash flows at prevailing interest rates at 31 March 2008.

The fair value of the liability portion of the convertible bonds is calculated with reference to the market value of the convertible bonds and the fair value of the derivative component of the convertible bonds. The fair value of other borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

30. STRUCTURED BORROWINGS

During the year ended 31 March 2007, the Group entered into two contracts of structured borrowings with a bank for a period of five years. The two entire contracts were designated as financial liabilities at fair value through profit or loss.

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Structured borrowings, classified as:		
Current#	22,655	17,042
Non-current	42,163	56,896
	64,818	73,938

The structured borrowings, which contain embedded derivatives, are managed in accordance with documented risk management and are evaluated on fair value basis. The embedded derivatives are closely related to the host contracts, and hence the two entire combined contracts were designated as financial liabilities at fair value through profit or loss upon initial recognition. The net fair value loss amounting to HK$6,573,000 was charged to the income statement during the year (2007: fair value gain of HK$257,000) (notes 5 and 6).

Subsequent to the balance sheet date, the Group has early terminated these two structured borrowings contracts.

The current portion represents the minimum amount repayable to the bank within one year.

30. STRUCTURED BORROWINGS (Continued)

Major terms of the structured borrowings are set out below:

Notional amount	Upfront payment	Maturity date	Payment Terms
US$50,000,000	US$5,000,000	8 September 2011	First half year: 2%; Remaining 4 and half years: 7.95% – (6.00% x N/M)
US$50,000,000	US$5,000,000	18 January 2012	Payment: 10%; Receipt: 8%, if Knock-In Condition is not met; or 8% x n/m, once Knock-In Condition is met

Interest was calculated on notional amount and on semi-annual, 30/360 day count basis.

Where:

"N"	=	number of business days that CMS10y - CMS2y > -0.05% in the period
"M"	=	total number of business days in the period
"n"	=	number of business days that CMS10y - CMS2y > 0.20% in the period
"m"	=	total number of business days in the period
"CMS10y"	=	mid-market semi-annual swap rate expressed as a percentage for a US$ interest rate swap transaction with a term equal to 10 years which appears on the Reuters screen ISDAFIX1 Page at 11:00 a.m. New York time on each day in the accrual period.
"CMS2y"	=	mid-market semi-annual swap rate expressed as a percentage for a US$ interest rate swap transaction with a term equal to 2 years which appears on the Reuters screen ISDAFIX1 Page at 11:00 a.m. New York time on each day in the accrual period.
"Knock-In Condition"	=	when 3-month LIBOR is less than 4.80%

31. CONVERTIBLE BONDS

On 29 March 2006, Greatest Joy Investments Limited, a subsidiary of the Company, issued 5-year zero coupon guaranteed convertible bonds with a nominal value of HK$750,000,000. The bonds are listed on the Stock Exchange of Hong Kong Limited. The bonds are convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK$0.10 each of the Company on or after 13 April 2007 up to and including 22 March 2011 at an initial conversion price of HK$6.76 per share. The conversion price was subsequently changed to HK$6.46, HK$6.32, HK$6.02, HK$5.88 on 28 August 2006, 29 December 2006, 31 August 2007 and 5 January 2008, respectively. The Group has an option to settle the conversion requested by bondholders in cash. The bonds are redeemable at the option of the bondholders at 105.51% of their principal amount two years after issue date on 29 March 2008. Any convertible bonds not converted will be redeemed on 29 March 2011 at 114.35% of their principal amount. When the bonds were issued, the prevailing market interest rate for similar bonds without the conversion option was higher than the interest rate at which the bonds were issued.

The fair value of the derivative component was estimated at the issuance date using an option pricing model and the change in fair value of that component is recognised in the consolidated income statement. The residual amount is assigned as the liability component.

Bonds of total nominal amount of HK$749,990,000 were redeemed by the bondholders on 29 March 2008.

The convertible bonds issued in prior year had been split as to the derivative and liability components, and the movement in derivative and liability components was as follows:

	HK$'000
Nominal value of convertible bonds issued on 29 March 2006	750,000
Transaction cost related to liability component	(22,565)
Derivative component	(86,250)
Interest expenses in 2007	38,405
Liability component at 31 March 2007 and 1 April 2007	679,590
Interest expenses (note 7)	40,704
Interests on early redemption of convertible bonds (note 7)	71,031
Redemption of convertible bonds on 29 March 2008	(791,314)
Liability component at 31 March 2008 (note 29)	11
Derivative component at 1 April 2006	88,050
Fair value gain recognised during the year	(55,275)
Derivative component at 31 March 2007 and 1 April 2007	32,775
Fair value gain recognised during the year	(32,775)
Derivative component at 31 March 2008	—

32. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	Provision for impairment of accounts receivable HK$'000	Others HK$'000	Total HK$'000
At 1 April 2006	27,485	(3,569)	(562)	23,354
Deferred tax charged/(credited) to the income statement during the year (note 10)	13,387	(156)	(336)	12,895
Exchange realignment	360	(43)	(16)	301
At 31 March 2007 and 1 April 2007	41,232	(3,768)	(914)	36,550
Deferred tax charged/(credited) to the income statement during the year (note 10)	5,002	(1,901)	462	3,563
Deferred tax credited to equity during the year	—	—	(228)	(228)
Exchange realignment	1,133	(117)	(99)	917
At 31 March 2008	47,367	(5,786)	(779)	40,802

32. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Decelerated tax depreciation HK$'000	Provision for impairment of accounts receivable HK$'000	Others HK$'000	Total HK$'000
At 1 April 2006	(1,732)	(3,910)	(227)	(5,869)
Deferred tax charged/(credited) to the income statement during the year (note 10)	(157)	1,483	17	1,343
Exchange realignment	(88)	(117)	—	(205)
At 31 March 2007 and 1 April 2007	(1,977)	(2,544)	(210)	(4,731)
Deferred tax charged/(credited) to the income statement during the year (note 10)	52	951	(3,218)	(2,215)
Deferred tax credited to equity during the year	—	—	(187)	(187)
Exchange realignment	(207)	(170)	(225)	(602)
At 31 March 2008	(2,132)	(1,763)	(3,840)	(7,735)

The Group has tax losses arising in Hong Kong of HK$168,264,000 (2007: HK$17,201,000) and in Mainland China of HK$81,379,000 (2007: HK$50,912,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, those arising in Mainland China being due to expire within a maximum period of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2008, there was no unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

32. DEFERRED TAX (Continued)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax liabilities/(assets)

Company

	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 April 2006	53	(58)	(5)
Deferred tax credit to the income statement during the year	(12)	(9)	(21)
At 31 March 2007, at 1 April 2007 and 31 March 2008	41	(67)	(26)

33. SHARE CAPITAL

	2008 Number of shares	2007 Number of shares	**2008 HK$'000**	2007 HK$'000
Authorised ordinary shares of HK$0.10 each	**800,000,000**	800,000,000	**80,000**	80,000
Issued and fully paid ordinary shares of HK$0.10 each	**600,780,529**	600,780,529	**60,078**	60,078

On 30 June 2008, the Company has increased its authorised ordinary share capital of HK$40,000,000 by creation of 400,000,000 additional shares at HK$0.10 each and on 8 July 2008 ordinary shares of 323,500,445 at HK$2.70 each were issued. Further details are disclosed in note 43 to the financial statements.

34. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The Group's legal reserves are statutory reserves for foreign investment enterprises operating in Mainland China. The transfers to these reserves are determined by the boards of directors of the relevant subsidiaries and the use thereof is governed by the relevant laws and regulations of Mainland China.

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Hedging reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2006		724,845	966	(1,051)	(424)	71,269	795,605
Gains on cash flow hedge		—	—	1,051	—	—	1,051
Profit for the year	11	—	—	—	—	178,407	178,407
Interim 2007 dividend	12	—	—	—	—	(57,074)	(57,074)
Proposed final 2007 dividend	12	—	—	—	—	(120,156)	(120,156)
At 31 March 2007 and 1 April 2007		724,845	966	—	(424)	72,446	797,833
Change in fair value of an available-for-sale investment		—	—	—	45	—	45
Profit for the year	11	—	—	—	—	348,781	348,781
Interim 2008 dividend	12	—	—	—	—	(45,059)	(45,059)
Proposed final 2008 dividend	12	—	—	—	—	(9,243)	(9,243)
At 31 March 2008		724,845	966	—	(379)	366,925	1,092,357

35. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

On 13 June 2006, the Group acquired a 100% interest in Sinope Design Group Limited from its existing shareholders. Sinope Design Group Limited is engaged in the provision of graphic design service. The purchase consideration for the acquisition was in the form of cash of HK$217,000 being paid on 13 June 2006.

	Note	**2008** **HK$'000**	2007 HK$'000
Property, plant and equipment	14	—	149
Cash and bank balances		—	81
Accounts receivable		—	314
Prepayments and other receivables		—	16
Accounts payable		—	(59)
Accruals and other payables		—	(284)
		—	217
Satisfied by cash		—	217

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

	HK$'000
Cash consideration	(217)
Cash and bank balances acquired	81
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(136)

Since its acquisition, Sinope Design Group Limited contributed HK$1,507,000 to the Group's turnover and a loss of HK$203,000 to the consolidated profit for the year ended 31 March 2007.

36. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Note	2008 HK$'000	2007 HK$'000
Rentals paid to a director and a company in which a director of the Company is a controlling shareholder	(i)	1,278	840

(i) The rentals paid to a director and a company in which a director of the Company is a controlling shareholder were in connection with the housing benefits provided to Mr. Yam Hon Ming, Tommy, a director of the Company and were determined based on estimated open market rental. It has been included in the directors' remuneration in note 8 to the financial statements.

(b) Outstanding balances with related parties

There were no outstanding balances with related parties as at 31 March 2008 (2007: Nil).

(c) Compensation of key management personnel of the Group

	2008 HK$'000	2007 HK$'000
Short-term employment benefits	34,177	40,754
Post-employment benefits	674	668
	34,851	41,422

37. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries	**—**	—	**1,734,218**	1,088,056
Amount of banking facilities with the Company's guarantees utilised by subsidiaries	**—**	—	**1,046,339**	241,224
Guarantee given to a subsidiary for the settlement of convertible bonds issued	**—**	—	**11**	770,387

38. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by the assets of the Group, are included in note 29, to the financial statements.

39. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to fifty years, and those for staff quarters for terms ranging from one to two years.

At 31 March 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,562**	3,843	**300**	360
In the second to fifth years, inclusive	**8,628**	7,369	**—**	300
After five years	**69,766**	65,176	**—**	—
	82,956	76,388	**300**	660

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group and the Company had the following commitments at the balance sheet date:

(a) Capital commitments

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for, but not provided for:				
Land and buildings	**35,344**	17,409	**—**	—
Plant and machinery	**59,727**	19,559	**—**	—
	95,071	36,968	**—**	—

(b) Financial commitments

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for:				
Capital contributions payable to a jointly-controlled entity to be established	**3,112**	—	**3,112**	—

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008

Group

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	—	—	15,067	15,067
Accounts and bills receivable	—	891,195	—	891,195
Other receivables (note 22)	—	10,184	—	10,184
Derivative financial instruments	5,389	—	—	5,389
Pledged time deposits	—	322,492	—	322,492
Cash and cash equivalents	—	811,310	—	811,310
	5,389	2,035,181	15,067	2,055,637

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost HK$'000	Total HK$'000
	— designated as such upon initial recognition HK$'000	— held for trading HK$'000		
Accounts payable	—	—	264,133	264,133
Other payables (note 28)	—	—	41,274	41,274
Derivative financial instruments	—	126,682	—	126,682
Convertible bonds	—	—	11	11
Interest-bearing bank and other borrowings	—	—	1,678,838	1,678,838
Structured borrowings	64,818	—	—	64,818
	64,818	126,682	1,984,256	2,175,756

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2007

Group

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	—	—	11,554	11,554
Accounts and bills receivable	—	757,120	—	757,120
Other receivables (note 22)	—	11,315	—	11,315
Structured deposits	375,818	—	—	375,818
Short-term note	23,095	—	—	23,095
Derivative financial instruments	4,768	—	—	4,768
Cash and cash equivalents	—	603,584	—	603,584
	403,681	1,372,019	11,554	1,787,254

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	— designated as such upon initial recognition HK$'000	— held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	—	—	181,246	181,246
Other payables (note 28)	—	—	34,760	34,760
Derivative financial instruments	—	7,517	—	7,517
Derivative component of convertible bonds	32,775	—	—	32,775
Convertible bonds	—	—	679,590	679,590
Interest-bearing bank and other borrowings	—	—	441,425	441,425
Structured borrowings	73,938	—	—	73,938
	106,713	7,517	1,337,021	1,451,251

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2008

Company

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	—	—	422	422
Other receivables (note 22)	—	363	—	363
Derivative financial instruments	655	—	—	655
Cash and cash equivalents	—	520,355	—	520,355
	655	520,718	422	521,795

Financial liabilities

	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition HK$'000	— held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Other payables (note 28)	—	—	187	187
Derivative financial instruments	—	107,649	—	107,649
Interest-bearing bank loan	—	—	154,055	154,055
Structured borrowings	64,818	—	—	64,818
	64,818	107,649	154,242	326,709

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2007

Company

Financial assets

	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments	—	—	378	378
Other receivables (note 22)	—	3,533	—	3,533
Structured deposits	375,818	—	—	375,818
Short-term note	23,095	—	—	23,095
Derivative financial instruments	4,768	—	—	4,768
Cash and cash equivalents	—	218,803	—	218,803
	403,681	222,336	378	626,395

Financial liabilities

	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition	Financial liabilities at fair value through profit or loss — held for trading	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables (note 28)	—	—	183	183
Derivative financial instruments	—	7,393	—	7,393
Structured borrowings	73,938	—	—	73,938
	73,938	7,393	183	81,514

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, convertible bonds and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivable and accounts payable, which arise directly from its operations.

The Group enters into derivative transactions, including principally forward currency contracts and structured forward currency contracts for trading purpose. The Group also enters into interest rate swaps of which the purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, market risk and liquidity risk. The policies to mitigate each of these risks are summarised below. The board manages and monitors these risks to ensure appropriate measures are implemented in a timely and effective manner. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's main interest rate risk exposure relates to its Renminbi and Hong Kong dollar bank borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses interest rate swaps to manage its long-term borrowings which bear floating interest rates. At 31 March 2008, the Group had approximately 35% (2007: 45%) of bank borrowings which bear fixed interest rates.

In respect of the structured borrowings, the repayment amounts are determined mainly based on the spread rates between CMS10y Swap Rate and CMS2y Swap Rate, the entire borrowings are designated as financial liabilities at fair value through profit or loss as disclosed in note 30. Management closely monitors the potential interest risk related to the structured borrowings on a continuing basis. Based on the historical data of the spread rates, the level of interest rate exposure so far is acceptable to the Group.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

		Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2008					
Hong Kong dollar	50	61	3,071	1,774	—
Hong Kong dollar	(50)	(61)	(3,071)	(1,774)	—
2007					
Hong Kong dollar	50	2,334	—	2,989	—
Hong Kong dollar	(50)	(2,334)	—	(2,989)	—

Foreign currency risk

The Group is subject to foreign currency risk arising from future commercial transactions, recognised assets and liabilities. Majority of the Group's transactions, balances and investments are denominated in HK$, US$, British pound ("GBP") and RMB. When there are significant foreign currency transactions other than the above currencies arise, the Group will use forward currency contracts and structured forward currency contracts to manage the foreign currency exposure. The forward currency contracts and structured forward currency contracts must be in the same currency as the hedged item.

The following table demonstrates the sensitivity at the balance sheet date (excluding those derivative financial instrument contracts that were already knock-out or terminated subsequent to balance sheet date and up to the date of approval of these financial statements) to a reasonably possible change in the US$, GBP and RMB exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Group

Financial instruments denominated in or linked to currency denominated in:	Increase in exchange rate of denominated currency against HK$ %	Increase/(decrease) in profit before tax 2008 HK$'000	2007 HK$'000	Decrease in exchange rate of denominated currency against HK$ %	Increase/(decrease) in profit before tax 2008 HK$'000	2007 HK$'000
US$	0.5	**1,643**	5,041	(0.5)	**(5,859)**	(6,522)
GBP	1.0	**(2,222)**	3,023	(1.0)	**959**	(7,550)
RMB	3.0	**9,522**	16,536	(3.0)	**(9,659)**	(19,302)

Company

Financial instruments denominated in or linked to currency denominated in:	Increase in exchange rate of denominated currency against HK$ %	Increase/(decrease) in profit before tax 2008 HK$'000	2007 HK$'000	Decrease in exchange rate of denominated currency against HK$ %	Increase/(decrease) in profit before tax 2008 HK$'000	2007 HK$'000
US$	0.5	**535**	3,988	(0.5)	**(4,751)**	(5,469)
GBP	1.0	**(2,357)**	2,852	(1.0)	**1,094**	(7,379)
RMB	3.0	**(3,363)**	2,171	(3.0)	**3,166**	(619)

Credit risk

The Group's credit risk is primarily attributable to its accounts and bills receivable. The Group has been largely dependent on a large number of customers for a substantial portion of its business. In order to minimise the credit risk, management of the Group has delegated a team responsible for the 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 regularly reviews the recoverable amount of each individual trade to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is properly managed and significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group's concentration of credit risk is mainly arising in United States of America, China, Europe and Hong Kong. There are no significant concentrations of credit risk within the Group as the Group's accounts and bills receivable relate to a large number of diversified customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts and bills receivable are disclosed in note 21 to the financial statements.

Market risk

Market risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, foreign exchange rates and equity prices. The Group is exposed to market risk through its holding of derivative financial instruments and other investments.

The Group has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control various trading transactions in a timely and accurate manner.

Liquidity risk

The Group's objective is to maintain sufficient cash and to ensure the availability of funding through an adequate amount of committed banking facilities. The Group aims to maintain flexibility in funding by keeping committed banking facilities available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds and other interest-bearing loans and structured borrowings. The Group's policy is that not more than 80% of borrowings should mature in any 12-month period. 46% of the Group's debts (defined as aggregate of convertible bonds, interest-bearing bank and other borrowings and structured borrowings) would mature in less than one year as at 31 March 2008 (2007: 29%) based on the carrying value of borrowings reflected in the financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2008		
	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Convertible bonds	11	—	11
Interest-bearing bank and other borrowings	785,353	893,485	1,678,838
Accounts payable	264,133	—	264,133
Other payables	41,274	—	41,274
Derivative financial instruments	126,682	—	126,682
Structured borrowings	22,655	42,163	64,818
	1,240,108	935,648	2,175,756

	2007		
	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Convertible bonds	—	679,590	679,590
Derivative component of convertible bonds	32,775	—	32,775
Interest-bearing bank and other borrowings	330,592	110,833	441,425
Accounts payable	181,246	—	181,246
Other payables	34,760	—	34,760
Derivative financial instruments	7,517	—	7,517
Structured borrowings	17,042	56,896	73,938
	603,932	847,319	1,451,251

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2008		
	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Interest-bearing bank loan	—	154,055	154,055
Other payables	187	—	187
Derivative financial instruments	107,649	—	107,649
Structured borrowings	22,655	42,163	64,818
Due to subsidiaries	—	428,826	428,826
	130,491	625,044	755,535

	2007		
	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Other payables	183	—	183
Derivative financial instruments	7,393	—	7,393
Structured borrowings	17,042	56,896	73,938
Due to subsidiaries	—	806,114	806,114
	24,618	863,010	887,628

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 2007.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a current ratio, which is current assets divided by current liabilities. The Group's policy is to keep the current ratio above 1.

	2008 HK$'000	2007 HK$'000
Total current assets	**2,955,848**	2,401,498
Total current liabilities	**1,383,169**	706,587
Net current assets	**1,572,679**	1,694,911
Current ratio	**2.14**	3.40

43. POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date, on 24 April 2008, the Company entered into a subscription agreement with Asia Packaging Company Limited (the "Subscriber") (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe in cash for 323,500,445 new ordinary shares of the Company (the "Subscription Shares") at the subscription price of HK$2.70 per Subscription Shares, subject to the terms and conditions of the Subscription Agreement. Upon completion of the subscription, the Subscriber will hold 35% equity interest of the Company. Accordingly, the Subscriber has applied to the Securities and Futures Commission (the "SFC") for the waiver pursuant to dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers from the obligation to make a mandatory general offer for the existing issued securities of the Company (the "Whitewash Waiver") and the Whitewash Waiver was conditionally granted by the SFC on 20 June 2008. Further details of the above subscription are set out in the Company's circular dated 13 June 2008.

43. POST BALANCE SHEET EVENTS (Continued)

(b) On 30 June 2008, an extraordinary general meeting of the Company was held and the following resolutions were duly passed:

i. Approval of the Subscription Agreement.

ii. Approval of the increase of the authorised share capital of the Company from 800,000,000 ordinary shares to 1,200,000,000 ordinary shares by the creation of 400,000,000 ordinary shares.

iii. Approval of the issue and allotment of the Subscription Shares.

iv. Approval of the appointment of four new directors.

v. Approval of the Whitewash Waiver.

Further details of the above are set out in the Company's Circular date 13 June 2008 and an announcement of the Company dated 30 June 2008.

(c) Pursuant to an ordinary resolution passed on 30 June 2008, the authorised share capital of the Company was increased from HK$80,000,000 to HK$120,000,000 by the creation of 400,000,000 additional ordinary shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

(d) On 8 July 2008, 323,500,445 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$2.70 per share pursuant to the Subscription Agreement for a total cash consideration, before expenses, of HK$873,451,000.

(e) On 8 July 2008, the Subscription Agreement was completed as mutually agreed by the Company and the Subscriber, details of which are set out in the Company's announcement dated 8 July 2008.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 July 2008.