HUNG HING PRINTING GROUP LIMITED
鴻 興 印 刷 集 團 有 限 公 司

ANNUAL REPORT 2005 年報

Contents

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, corrugated cartons, trading of paper, and manufacturing 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 one being built in Heshan, China. Total production floor space reaches 5.2 million square feet, with a workforce of over 17,000 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 Japan, 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
Yum Chak Ming, Matthew, Managing Director
Yam Ho Ming, Michael
Yam Hon Ming, Tommy

Non-Executive Directors

Chu Shu Ho, David, JP
Yum Pui Ming, Anna

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

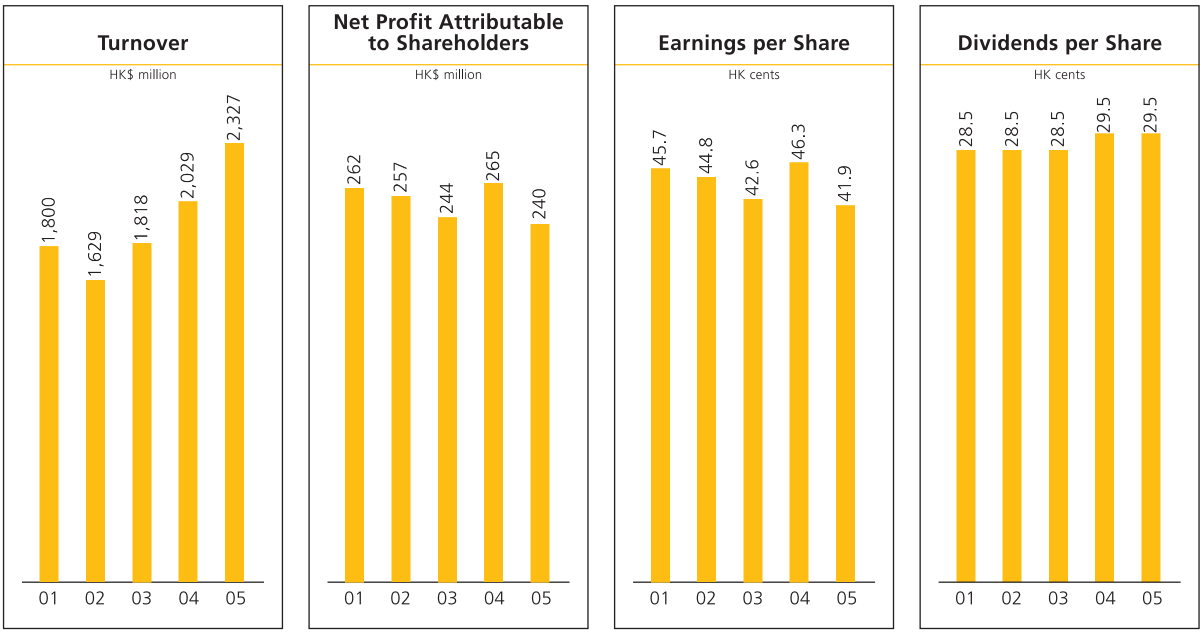
Ernst & Young
Nexia Charles Mar Fan & Co.

Share Registrar

Tengis Limited
G/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Financial Highlights

Year ended 31 March	**2005**	2004	Percentage
	HK$'000	HK$'000	change
Turnover	**2,327,393**	2,028,920	+15
Profit from Operating Activities	**314,595**	336,617	-7
Net Profit Attributable to Shareholders	**240,281**	264,742	-9
Fixed Assets	**1,439,366**	957,329	+50
Shareholders' Equity	**1,842,660**	1,739,859	+6
Earnings per Share (cents)	**41.9**	46.3	-10
Dividends per Share (cents)	**29.5**	29.5	0



Chairman's Statement

"We believe our increase in stake in the two paper manufacturing associate companies in Zhongshan will yield important benefits to the Group — enabling it to meet increasing demand for corrugated materials from China and inter-company business, as well as improving operational efficiency."

Mr. Yam Cheong Hung
Chairman

TO OUR SHAREHOLDERS:

The fiscal year 2004/05 saw the Group increase its turnover by 15%, compared with a rise of 8% over the first half. This was led by gains in the China domestic market and overseas export markets, particularly Europe and Australia, as well as the consolidation of the sales of the two paper manufacturing companies in Zhongshan following an increase in the Group's stake in them.

The first quarter saw increased customer confidence levels compared to the previous year, with steady increase in order inflow. The second and third quarters of the year were marked by adjustments in the prices of oil and other raw materials, leading to a slowdown in orders. During the fourth quarter, there was a slight recovery in customer confidence and order inflow.

Highlights for the year include the completion of our increase in stake in the two paper manufacturing associate companies in Zhongshan from 35% to 59%, in December 2004. The acquisition is expected to yield important benefits to the Group — enabling it to meet increasing demand for corrugated materials from China and inter-company business, as well as improving operational efficiency. Following the increase in stake, the performance of the two paper manufacturing companies has already improved in response to robust demand in China.

As a result of the increased stake, the Group consolidated the sales of these two companies as from January 2005, which accounted for 52% of the increase in the Group's turnover. However, there was also a one-time bad debt write-off of HK$10.6 million in the accounts of the two companies, which impacted the Group's share of profits and losses from them before the acquisition.

Our Shenzhen printing facility achieved the number one ranking in the Top 100 of the Printing Industry of Guangdong Province. The plant also achieved ICTI COBP (International Council of Toy Industries, Code of Business Practice) certification, a key standard required by toy manufacturers, in addition to its ISO 9002 and 14000 certifications. The plant also saw a steady increase in business in the fourth quarter that led to it achieving full capacity.

The Group acquired a 3.5 million sq.ft. piece of land in Heshan to build a new plant to supplement its Shenzhen facility. Construction at the facility has already commenced in June 2005, with Phase 1 expected to become operational by the end of the year.

Apart from the impact of the consolidated sales of the two Zhongshan paper manufacturing companies, the Group's increase in turnover for the year was primarily due to increased sales in China, Europe and Australia. Increased material costs and price pressure from competition led to a decline in operating profit of 7% to HK$315 million. Net profit attributable to shareholders decreased 9% to HK$240 million. Earnings per share decreased 10% to HK41.9 cents.

Despite the general economic upswing, a number of macro-economic factors emerged to affect the profit performance of the Group. From the second quarter, worldwide adjustments in the prices of oil, paper and raw materials, as well as interruptions to the water and power supply in Shenzhen contributed to an increase in the Group's operating expenses. Demand for workers in Shenzhen exerted upward pressure on wages, which, combined with an increase in government-regulated social costs, affected the Group's labour costs.

The Board of Directors is proposing a final dividend of HK20 cents per share, bringing total dividends for the year to HK29.5 cents per share. Subject to shareholders' approval, the final dividend will be paid on 29 September 2005 to shareholders whose names appear on the Register of Members of the Company on 29 August 2005.

The final dividend will be payable in cash with a scrip alternative at the option of shareholders. A circular containing the scrip dividend scheme together with the form of election will be sent to shareholders in due course.

OUTLOOK

For the coming fiscal year the Group anticipates a steadier environment in terms of business volume, with the possible continuation of adjustments in oil, paper and raw material prices. The Chinese government's proposed increase of the minimum wage will affect labour costs. However, the Group is well positioned to deal with these circumstances by emphasizing operational efficiencies. The Group has also made arrangements for managing any anticipated water or power shortfalls during the summer months.

For the longer term, the Group will strategically focus on higher-margin businesses.

Chairman's Statement

In Shenzhen, the water and power supply issues began to improve from the fourth quarter of 2004/05. Nonetheless, the Group took measures to diversify its production base when it began to invest in a new and modern facility in Heshan at the end of 2004. This facility is expected to provide more affordable labour costs, as well as more room for capacity expansion in the next three to five years.

The Group will continue with its strategy of geographic diversification of its customer base, with an emphasis on acquiring increased business from European customers and customers in mainland China.

The Group is cautiously confident that it has taken appropriate action to counter the macro-economic factors that affected its performance during 2004/05, and has the appropriate strategies in place to continue to achieve steady growth in the future. With our emphasis on higher-margin businesses and the prudent management strategies that have long been the hallmark of the Group, we will continue to foster business growth in new and existing markets.

We will also continue to make sound investments and increase staff as necessary. New facilities such as the one in Heshan leave us well poised for growth. We look forward with cautious optimism to continued business growth.

I would like to thank each of our dedicated staff whose hard work and commitment has helped the Group achieve its goals.

Yam Cheong Hung
Chairman

Hong Kong, 5 July 2005

Management Discussion and Analysis

"The Group continued with its policy of prudent and strategic investment. We are confident that our planned investment will yield business benefits in future years."

Mr. Yum Chak Ming, Matthew
Managing Director

During the year under review, the Group achieved an overall increase in turnover of 15%. This increase was driven in part by the continued improvement in the global economy, which resulted in increased sales in China as well as overseas markets for the Group. In addition, the acquisition of a majority stake in the two paper manufacturing associates in Zhongshan and the consequent consolidation of their revenues contributed to the increase in the Group's turnover.

The Group capitalized on the advantageous exchange rates as well as an overall trend to outsource to China to achieve turnover growth in Europe and Australia, while business in Hong Kong and the United States remained stable. The continued growth in the China domestic economy helped the Group achieve an increase in turnover of 55% from mainland China.

The Group continues to expand its facilities to plan effectively for future growth. The Wuxi facility is now fully operational and a new printing facility is planned in Heshan, a city in the Guangdong province, phase I of which is expected to be completed by the end of 2005.

In addition, the Group added a significant number of staff in 2004/05 via expansion to full capacity of our Shenzhen printing plant as well as the absorption of employees from the two Zhongshan associates following the acquisition of a majority stake in them.

Management Discussion and Analysis

Certain macro-economic factors that impacted the Group in 2004/05 are likely temporary. These include the power and water shortages affecting businesses across Shenzhen during 2004. The Group has nonetheless taken prudent measures to diversify its cost base by investing in the facility at Heshan, which not only increases our printing capacity, but also takes advantage of the lower wage levels and is away from the high-demand zone of Shenzhen.

An analysis by business division is as follows:

	Turnover			Contribution to operating profit		
	2005 HK'000	%	% change from 2004	2005 HK'000	%	% change from 2004
Paper and carton box printing and manufacturing	1,433,719	62	+10	242,842	77	-11
Paper trading	228,155	10	-9	24,506	8	-45
Corrugated carton	509,769	22	+8	31,330	10	+14
Paper manufacturing	155,750	6	N/A	11,342	4	N/A
Eliminations	—	—	—	1,560	—	N/A
	2,327,393	100	+15	311,580	99	-10
Interest, dividend income and other gains				22,522	7	+99
Corporate and unallocated expenses				(19,507)	-6	+1
				314,595	100	-7

PAPER AND CARTON BOX PRINTING AND MANUFACTURING

Our biggest division reported a steady increase in turnover of 10%, which was achieved largely on volume growth from new customers in both the overseas and China markets. Many of these new customers were book publishers and OEMs (Original Equipment Manufacturers).

The Group's Wuxi plant has been operational for more than a year, contributing to business growth from within the mainland China market. The strength of the Euro as well as the continuing global trend of outsourcing to manufacturers in China continued to drive European business, which the Group capitalized on with marketing efforts and the appointment of a sales agent in Germany. The performance of this division contributed to the Group's sales increases from the UK and Germany of 23% and 93% respectively. Business from the US and Hong Kong remained stable.

Exterior and internal facilities of the new plant in Zhongshan

In addition to children's books and paper products, this division increased the quantity of other types of books it printed this year, in order to be well placed to benefit from any future trends to outsource commercial printing to printers in mainland China.

Our plant at Wuxi has already achieved ISO 9002 and 14000 certification within just a year of operations.

The Group continues to expand into new markets. In South America, for the first time, we have appointed a new agent to increase the Group's presence and drive revenues.

PAPER TRADING

This division was affected by continued competition from local paper manufacturers as well as prevalent paper and oil price adjustments during the year under review, and experienced a drop in external sales of 9%. The delay in approval of a business license for the Shenzhen distribution and logistic facility also affected operations.

The Shenzhen distribution and logistic warehouse initially maintained a credit policy of cash on delivery, which had resulted in some loss of business. However the policy has now been made more flexible with respect to very well-established customers, which is expected to contribute to an increase in business.

This division aims to bypass intensive price-based competition with local manufacturers by focusing as far as possible on higher-margin business, as well as maintaining a stock of foreign and higher-value paper.

Management Discussion and Analysis

The new corrugator (left) and other equipment in the new plant in Zhongshan

CORRUGATED CARTON MANUFACTURING

The corrugated carton manufacturing division achieved steady growth of 9%, with growth in external sales of 8%. This growth was driven by an increase in China-based customers. The division successfully diversified its customer base by entering segments such as electronics, computer accessories and food and beverage.

This division was impacted by adjustments in paper prices, but the Group's prudent inventory practices, tight cost controls and the implementation of several measures to enhance operational efficiency helped to increase profit from operating activities by 14%.

The installation of a new corrugator in our new plant in Zhongshan has been completed and production is underway. The additional capacity rendered available by the new corrugator will further enhance the competitiveness and efficiency of this division.

PAPER MANUFACTURING

The Group acquired a majority stake in its associates — Zhongshan Rengo Hung Hing Paper Manufacturing Company Ltd. and Zhongshan Ren Hing Paper Manufacturing Company Ltd. — to bring them under the effective ownership of the Group. The Group experienced a 57% decrease in share of profits and losses of our former associates due to a one-time write-off of bad debt as part of the cost of acquiring the companies.

Following the acquisition, it is the strategy of the Group to enhance management practices at these two facilities and increase inter-company business. Part of this strategy is to improve the quality of our product by using 100% overseas waste paper for paper manufacturing, as well as to purchase more paper from the paper mill within the Group.

FINANCIAL AND CAPITAL RESOURCES

The Group continued with its policy of prudent and strategic investment for future business growth.

The Group incurred HK$268 million in capital expenditure during the financial year 2004/05, as follows:

	HK$ million
Investment in the new corrugating and printing facility at the Zhongshan plant	122
Machinery for the Shenzhen plant	92
Machinery for the Wuxi plant	12
Construction of and equipment for the Shenzhen distribution and logistic warehouse	13
Land for the Heshan facility	23
Construction of and equipment for other facilities	6
Total:	268

Another major investment the Group made was the acquisition of the majority stake of the two Zhongshan paper manufacturing companies at a total cost of HK$119 million.

These investments were partly financed by a net drawdown of bank loan facilities of HK$176 million.

The increased stake in the two Zhongshan paper manufacturing companies and consolidation of their bank borrowings led to an increase in the Group's total bank borrowings. As at 31 March 2005, the Group had total bank borrowings of HK$654 million, of which HK$329 million was short term borrowings repayable within one year and HK$325 million was long term borrowings repayable within two to five years.

To capitalize on the low interest rate prevailing in Hong Kong, the Group arranged its bank borrowings primarily in Hong Kong dollars, except for the bank loans of the two Zhongshan paper manufacturing companies, which were arranged in Renminbi. Of the Group's total bank borrowings of HK$654 million, 77% was in Hong Kong dollars, 21% was in Renminbi and 2% was in U.S. dollars.

During the year under review, interest expenses went up to HK$12.2 million, largely due to the higher level of borrowings, increases in interest rates towards the fourth quarter of the year, and the inclusion of loan interest of HK$3 million upon consolidation of the two Zhongshan paper manufacturing companies.

Management Discussion and Analysis

As at 31 March 2005, the Group had cash on hand of HK$334 million, down 24% from last year, mainly due to the need to use part of the Group's cash to pay for its capital investments. Of our total cash of HK$334 million, 71% was in Renminbi, 19% in U.S. dollars, 9% in Hong Kong dollars and 1% in Sterling Pounds.

The Group's bank borrowings as a ratio to shareholder equity went up from 20% to 35% as a result of higher level of borrowings and consolidation of borrowings of the two Zhongshan paper manufacturing companies. However the Group's bank borrowings net of cash as a ratio to shareholder equity was maintained at 17%, a comfortable level in terms of net debt gearing ratio.

The Group's planned capital investment program to drive sustained business growth resulted in a higher level of borrowings. The Group is confident that its planned investment will yield business benefits in future years.

EMPLOYEES

As of 31 March 2005, the Group employed a total of 17,030 staff in Hong Kong and China. Of the total, 292 were employed in Hong Kong and 16,738 in China. There is an increase over the previous year — particularly in China, where our operations have grown by approximately 6,000 employees. This number includes staff absorbed with our effective ownership of the two paper manufacturing companies in Zhongshan.

Hung Hing Printing Group is dedicated to providing the best possible work environment and training for our staff, to ensure both operational efficiency for the Group and career opportunities for employees.

We provide this out of gratitude to our staff, who continue to give their best in an increasingly competitive and challenging market place. I would like to thank all of you for your unwavering support.

Matthew C.M. Yum
Managing Director

Hong Kong, 5 July 2005

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

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 consisted of the printing and manufacturing of paper carton boxes, the trading of paper, the manufacturing of corrugated cartons and the manufacturing 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 profit for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 72.

An interim dividend of HK9.5 cents per share was paid on 31 January 2005. The directors recommend the payment of a final dividend of HK20.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 29 August 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 March				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**2,327,393**	2,028,920	1,818,333	1,628,556	1,800,162
PROFIT FROM OPERATING ACTIVITIES	**314,595**	336,617	305,419	303,309	345,731
Finance costs	**(12,203)**	(5,551)	(6,119)	(7,083)	(13,489)
Share of profits and losses of associates	**3,882**	9,122	9,736	5,346	13,340
PROFIT BEFORE TAX	**306,274**	340,188	309,036	301,572	345,582
Tax	**(43,222)**	(55,204)	(44,794)	(24,262)	(58,303)
PROFIT BEFORE MINORITY INTERESTS	**263,052**	284,984	264,242	277,310	287,279
Minority interests	**(22,771)**	(20,242)	(20,711)	(20,803)	(25,068)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**240,281**	264,742	243,531	256,507	262,211
EARNINGS PER SHARE					
Basic	**41.9 cents**	46.3 cents	42.6 cents	44.8 cents	45.7 cents

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 March				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
FIXED ASSETS	**1,439,366**	957,329	830,866	804,597	698,808
GOODWILL	**3,041**	—	—	—	—
LONG TERM INVESTMENTS	**10,438**	6,825	5,666	5,673	5,694
PROPERTIES UNDER CONSTRUCTION	**57,382**	41,291	46,399	15,204	30,945
INTERESTS IN ASSOCIATES	**—**	137,557	137,022	136,586	141,764
DEFERRED TAX ASSETS	**6,060**	2,387	2,384	1,837	1,396
CURRENT ASSETS	**1,604,097**	1,331,498	1,137,369	1,038,848	980,483
TOTAL ASSETS	**3,120,384**	2,476,887	2,159,706	2,002,745	1,859,090
CURRENT LIABILITIES	**634,545**	338,922	269,357	213,249	200,015
LONG TERM LOANS	**325,000**	230,000	90,000	85,000	45,094
DEFERRED TAX LIABILITIES	**19,325**	16,628	14,179	11,998	21,149
LONG TERM PORTION OF FINANCE LEASE PAYABLES	**—**	—	—	—	245
TOTAL LIABILITIES	**978,870**	585,550	373,536	310,247	266,503
MINORITY INTERESTS	**298,854**	151,478	148,031	134,868	123,171
	1,842,660	1,739,859	1,638,139	1,557,630	1,469,416

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital, together with the reason therefor, are set out in note 27 to the financial statements.

Report of the Directors

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 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2005, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$166,027,000, of which HK$115,559,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$621,373,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$135,000.

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 less than 30% of the total purchases for the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Yam Cheong Hung
Yum Chak Ming, Matthew
Yam Ho Ming, Michael
Yam Hon Ming, Tommy

Non-executive directors:

Chu Shu Ho, David
Yum Pui Ming, Anna

DIRECTORS (continued)

Independent non-executive directors:

Yip Yu Bun	
Wong Siu Ping	(appointed on 9 July 2004)
Yap, Alfred Donald	(appointed on 23 March 2005)
Wu Shu Chih, Alex	(deceased on 10 January 2005)

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, aged 76, 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 47, 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. 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 46, 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 worked for 3 years in the sales and marketing department with 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.

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

Executive directors (continued)

Mr. Yam Hon Ming, Tommy, aged 41, 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 Art 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, aged 54, 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 and a member of the National Committee of the Chinese People's Political Consultative Conference. He is well known in the Chinese sports society. Dr. Chu is the Chairman of the Mission Hills Group and Mission Hills Golf Club.

Ms. Yum Pui Ming, Anna, aged 44, 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.

Independent non-executive directors

Mr. Yip Yu Bun, MH, aged 78, 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 56, 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 66, 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, Wong's International (Holdings) Limited and RBI Holdings Limited, which are listed on the Stock Exchange of Hong Kong Limited. He became a director of the Company in March 2005.

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

Senior management

Mr. Man Lim Huen, aged 71, 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 47, 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.

Mr. Sung Chee Keung, aged 46, is the General Manager of the Group's subsidiary, Zhongshan Hung Hing Printing & Packaging Company Limited and is responsible for its general management. 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 Tai Ho, aged 56, 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. Chan Lai Him, Raymond, aged 48, is the Deputy General Manager of the Group's subsidiary, Tai Hing Paper Products Company, Limited and is responsible for its general management. He holds a Bachelor of Art 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. Song Zhi Yi, aged 44, 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 35, 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.

Report of the Directors

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

Senior management (continued)

Mr. Tung Yu Biu, aged 56, 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.

Mr. Sung Wei Han, Henry, aged 72, 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 has over 30 years of experience in administration and general management with a shipping company in Hong Kong. He has been with the Group since 1996.

Mr. Lau Chin Hung, Edwin, aged 51, is the Deputy General Manager of the Company and the Personal Assistant to Managing Director. He is responsible for assisting the Managing Director in the planning and operations of the Group. He obtained a higher diploma with distinction in design from Hong Kong Polytechnic University in 1976. He has over 16 years experience in senior management in the printing industry. He has been with the Group since 2004.

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 30 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

At 31 March 2005, the interests of the directors in the share capital 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** *(Note)*	**Total**	**Percentage of the Company's issued share capital**
Yam Cheong Hung	—	1,331,387	264,410,934	265,742,321	45.99
Yum Chak Ming, Matthew	8,326,047	—	264,410,934	272,736,981	47.20
Yam Ho Ming, Michael	—	—	264,410,934	264,410,934	45.76
Yam Hon Ming, Tommy	—	—	264,410,934	264,410,934	45.76
Yum Pui Ming, Anna	1,170,231	893,200	264,410,934	266,474,365	46.12
Yap, Alfred Donald	25,829	—	—	25,829	—

Note: Yam Cheong Hung, Yum Chak Ming, Matthew, Yam Ho Ming, Michael, Yam Hon Ming, Tommy and Yum Pui Ming, Anna are beneficial shareholders of approximately 9.15%, 14.08%, 14.08%, 14.08% and 9.86%, respectively, of the issued share capital of C.H. Yam International Limited, which directly holds 83,076,800 shares of the Company and indirectly holds 181,334,134 shares of the Company through its subsidiary, Hung Tai Industrial Company Limited.

Save as disclosed above, as at 31 March 2005, none of the directors had registered an interest or short position in the shares or underlying shares 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

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse 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 corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 March 2005, the following interests of 5% or more of the issued share capital 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	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
C.H. Yam International Limited	*(a)*	Directly beneficially owned and through a controlled corporation	264,410,934	45.76
Hung Tai Industrial Company Limited		Directly beneficially owned	181,334,134	31.38
J.P. Morgan Chase & Co.	*(b)*	Through controlled corporations	40,028,000	6.93
The Capital Group Companies, Inc.	*(c)*	Through controlled corporations	51,266,751	8.87

Notes:

(a) There is a duplication of interests of 181,334,134 shares in the Company between C.H. Yam International Limited and Hung Tai Industrial Company Limited.

(b) J.P. Morgan Chase & Co. was deemed to have a beneficial interest in 40,028,000 shares of the Company by virtue of its indirect interests in J.P. Morgan Chase Bank, JF Asset Management Limited, JF Asset Management (Taiwan) Limited and JF International Management Inc., which hold 18,768,000, 16,342,000, 4,500,000 and 418,000 shares of the Company, respectively.

(c) The Capital Group Companies, Inc. was deemed to have a beneficial interest in 51,266,751 shares of the Company by virtue of its indirect interests in Capital Research and Management Company, Capital Guardian Trust Company and Capital International, Inc., which hold 45,749,000, 5,209,300 and 308,451 shares of the Company, respectively.

Save as disclosed above, as at 31 March 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" 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.

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.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company.

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, 5 July 2005

Report of the Auditors

ERNST & YOUNG
安永會計師事務所

NEXIA CHARLES MAR FAN & CO.
馬炎璋會計師行

To the members
Hung Hing Printing Group Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 25 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the 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.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our 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 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Ernst & Young
Certified Public Accountants

Nexia Charles Mar Fan & Co.
Certified Public Accountants

Hong Kong, 5 July 2005

Consolidated Profit and Loss Account

Year ended 31 March 2005

	Notes	2005 HK$'000	2004 HK$'000
TURNOVER	5	**2,327,393**	2,028,920
Cost of sales		**(1,793,882)**	(1,474,572)
Gross profit		**533,511**	554,348
Other revenue and gains	5	**42,337**	23,656
Distribution costs		**(65,859)**	(55,926)
Administrative and selling expenses		**(193,514)**	(178,821)
Other operating expenses		**(1,880)**	(6,640)
PROFIT FROM OPERATING ACTIVITIES	6	**314,595**	336,617
Finance costs	9	**(12,203)**	(5,551)
Share of profits and losses of associates		**3,882**	9,122
PROFIT BEFORE TAX		**306,274**	340,188
Tax	10	**(43,222)**	(55,204)
PROFIT BEFORE MINORITY INTERESTS		**263,052**	284,984
Minority interests		**(22,771)**	(20,242)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	11	**240,281**	264,742
DIVIDENDS	12		
Interim		**54,341**	54,341
Proposed final		**115,559**	114,401
		169,900	168,742
EARNINGS PER SHARE	13		
Basic		**41.9 cents**	46.3 cents

Consolidated Balance Sheet

31 March 2005

	Notes	2005 HK$'000	2004 HK$'000
NON-CURRENT ASSETS			
Fixed assets	*14*	**1,439,366**	957,329
Goodwill	*15*	**3,041**	—
Long term investments	*16*	**10,438**	6,825
Properties under construction	*17*	**57,382**	41,291
Interests in associates	*19*	**—**	137,557
Deferred tax assets	*26*	**6,060**	2,387
		1,516,287	1,145,389
CURRENT ASSETS			
Due from associates	*20*	**—**	58,139
Inventories	*21*	**553,611**	400,998
Accounts and bills receivable	*22*	**644,509**	407,144
Prepayments, deposits and other receivables		**71,561**	27,842
Cash and cash equivalents	*23*	**334,416**	437,375
		1,604,097	1,331,498
CURRENT LIABILITIES			
Accounts payable	*24*	**124,016**	87,174
Tax payable		**28,947**	43,769
Other payables and accrued liabilities		**153,069**	97,092
Interest-bearing bank loans	*25*	**328,513**	110,887
		634,545	338,922
NET CURRENT ASSETS		**969,552**	992,576
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,485,839**	2,137,965
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*25*	**325,000**	230,000
Deferred tax liabilities	*26*	**19,325**	16,628
		344,325	246,628
MINORITY INTERESTS		**298,854**	151,478
		1,842,660	1,739,859

	Notes	2005 HK$'000	2004 HK$'000
CAPITAL AND RESERVES			
Issued capital	*27*	**57,779**	57,200
Reserves	*28(a)*	**1,669,322**	1,568,258
Proposed final dividend	*12*	**115,559**	114,401
		1,842,660	1,739,859

Yam Cheong Hung
Director

Yum Chak Ming, Matthew
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2005

	Notes	Issued share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve (note 15) HK$'000	Legal reserves (note 28(a)(ii)) HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2003		57,200	590,690	966	104,289	57,366	718,947	108,681	1,638,139
Final 2003 dividend declared		—	—	—	—	—	—	(108,681)	(108,681)
Appropriation of retained profits to legal reserves		—	—	—	—	1,386	(1,386)	—	—
Net profit for the year		—	—	—	—	—	264,742	—	264,742
Interim 2004 dividend	12	—	—	—	—	—	(54,341)	—	(54,341)
Proposed final 2004 dividend	12	—	—	—	—	—	(114,401)	114,401	—
At 31 March 2004 and at 1 April 2004		57,200	590,690*	966*	104,289*	58,752*	813,561*	114,401	1,739,859
Final 2004 dividend declared		—	—	—	—	—	—	(114,401)	(114,401)
Issue of shares pursuant to a scrip dividend scheme	27	579	30,683	—	—	—	—	—	31,262
Appropriation of retained profits to legal reserves		—	—	—	—	1,135	(1,135)	—	—
Net profit for the year		—	—	—	—	—	240,281	—	240,281
Interim 2005 dividend	12	—	—	—	—	—	(54,341)	—	(54,341)
Proposed final 2005 dividend	12	—	—	—	—	—	(115,559)	115,559	—
At 31 March 2005		57,779	621,373*	966*	104,289*	59,887*	882,807*	115,559	1,842,660
Reserves retained by:									
Company and subsidiaries at 31 March 2005		57,779	621,373	966	104,289	59,887	882,807	115,559	1,842,660
Company and subsidiaries		57,200	590,690	966	104,289	58,752	801,733	114,401	1,728,031
Associates		—	—	—	—	—	11,828	—	11,828
At 31 March 2004		57,200	590,690	966	104,289	58,752	813,561	114,401	1,739,859

* These reserve accounts comprise the consolidated reserves of HK$1,669,322,000 (2004: HK$1,568,258,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2005

	Notes	2005 HK$'000	2004 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**306,274**	340,188
Adjustments for:			
Interest income	*5*	**(9,344)**	(9,924)
Finance costs	*9*	**12,203**	5,551
Share of profits and losses of associates		**(3,882)**	(9,122)
Depreciation	*6*	**86,851**	70,629
Loss on disposal of fixed assets	*6*	**772**	481
Unrealised gains on listed investments	*5*	**(3,639)**	(1,159)
Unrealised loss on unlisted investment		**26**	—
Dividend income from listed equity investments	*5*	**(258)**	(258)
Operating profit before working capital changes		**389,003**	396,386
Increase in amounts due from associates		**(50,233)**	(14,591)
Increase in inventories		**(26,154)**	(91,543)
Increase in accounts and bills receivable		**(64,304)**	(20,814)
Increase in prepayments, deposits and other receivables		**(22,417)**	(14,631)
Increase in accounts payable		**16,349**	20,607
Increase in other payables and accrued liabilities		**18,312**	20,143
Decrease in trust receipt loans		**(3,110)**	(13,011)
Cash generated from operations		**257,446**	282,546
Hong Kong profits tax paid		**(24,668)**	(11,814)
Mainland China tax paid		**(31,290)**	(27,850)
Net cash inflow from operating activities		**201,488**	242,882
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**9,344**	9,924
Dividend received from listed equity investments		**258**	258
Dividend received from associates		**7,516**	8,036
Purchases of fixed assets	*14*	**(218,441)**	(135,352)
Additions to properties under construction	*17*	**(50,012)**	(57,980)
Acquisition of subsidiaries	*29(b)*	**(70,026)**	—
Proceeds from disposal of fixed assets		**675**	867
Net cash outflow from investing activities		**(320,686)**	(174,247)

Consolidated Cash Flow Statement

Year ended 31 March 2005

	Notes	2005 HK$'000	2004 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(12,203)**	(5,551)
Dividends paid	*29(a)*	**(137,480)**	(163,022)
Dividends paid to minority interests		**(14,943)**	(20,755)
New bank loans		**232,236**	241,000
Repayment of bank loans		**(56,123)**	(71,717)
Contributions from minority interests		**4,752**	3,960
Net cash inflow/(outflow) from financing activities		**16,239**	(16,085)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(102,959)**	52,550
Cash and cash equivalents at beginning of year		**437,375**	384,825
CASH AND CASH EQUIVALENTS AT END OF YEAR		**334,416**	437,375
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*23*	**170,962**	145,331
Time deposits with original maturity of less than three months when acquired	*23*	**163,454**	292,044
		334,416	437,375

Balance Sheet

31 March 2005

	Notes	2005 HK$'000	2004 HK$'000
NON-CURRENT ASSETS			
Fixed assets	*14*	**12,579**	13,362
Long term investments	*16*	**802**	802
Interests in subsidiaries	*18*	**767,992**	546,621
Interests in associates	*19*	**—**	118,213
Deferred tax assets	*26*	**168**	120
		781,541	679,118
CURRENT ASSETS			
Due from associates	*20*	**—**	9,679
Prepayments, deposits and other receivables		**199**	270
Cash and cash equivalents	*23*	**73,447**	114,643
		73,646	124,592
CURRENT LIABILITIES			
Tax payable		**1,745**	46
Other payables and accrued liabilities		**7,297**	4,124
		9,042	4,170
NET CURRENT ASSETS		**64,604**	120,422
		846,145	799,540
CAPITAL AND RESERVES			
Issued capital	*27*	**57,779**	57,200
Reserves	*28(b)*	**672,807**	627,939
Proposed final dividend	*12*	**115,559**	114,401
		846,145	799,540

Yam Cheong Hung
Director

Yum Chak Ming, Matthew
Director

1. CORPORATE INFORMATION

The registered office of Hung Hing Printing Group Limited 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
- Trading of paper
- Manufacturing of corrugated cartons
- Manufacturing of paper

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

HKFRS 3 "Business Combinations" applies to accounting for business combinations for which the agreement date is on or after 1 January 2005. The Group's acquisition of subsidiaries was effected before 1 January 2005 and had been accounted for under Statement of Standard Accounting Practice ("SSAP") No. 30 "Business Combinations". Therefore, HKFRS 3 has had no impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also includes Statements of Standard Accounting Practice and Interpretations), accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain long term investments as further explained below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company 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.

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

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill, to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

Prior to the adoption of SSAP 30 "Business combinations" in 2001, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at the revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however 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 profit and loss account in the period in which it arises, unless the asset is carried at the revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided so as to write off the cost of each asset over its estimated useful life. The principal annual rates and bases used are as follows:

Leasehold land	Over the lease terms
Buildings situated in Hong Kong	Over the lease terms
Buildings situated in Mainland China	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

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. All land use rights, which are situated in Mainland China, are valid for 30 to 50 years, and are amortised on the straight-line basis over the remaining lives of the rights commencing after the completion of the construction of the building erected thereon.

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 fixed assets when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held on a long term basis, are stated at their fair values at the balance sheet date, on an individual investment basis.

The fair values of listed securities are their quoted market prices at the balance sheet date. The fair values of unlisted securities are as estimated by the directors having regard to, inter alia, the prices of most recent reported sales or purchases of the securities.

The gains and losses arising from changes in fair value of such security are credited or charged to the profit and loss account for the period in which they arise.

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.

Accounts receivable

Accounts receivable, which generally have credit terms of 30 to 90 days, are recognised and carried at original invoice amount less any amounts deemed uncollectible by the directors. A provision for doubtful debts is estimated when collection of debts is deemed no longer probable. Bad debts and provisions for doubtful debts are charged to the profit and loss account as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 which are readily convertible into known amounts of cash and which 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 sheet, 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.

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 a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves 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.

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.

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.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

3. 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 profit and loss account 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 profit and loss account 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 profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Income tax

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 assets 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 assets 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 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.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and associates registered in the People's Republic of China, stated in Renminbi, are translated into Hong Kong dollars using the temporal method. Most of the products of these subsidiaries are provided for export to Hong Kong, and the currency in which the majority of the trading transactions is denominated, is Hong Kong dollars. Accordingly, these subsidiaries are dependent directly upon the economic circumstances of the holding company's reporting currency, which is the Hong Kong dollar.

Under the temporal method, all assets, liabilities, revenues and expenses are translated at the applicable exchange rates ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities are re-translated at the closing rate and any resulting exchange difference is taken to the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

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 trading segment;

(c) the corrugated carton manufacturing segment; and

(d) the paper manufacturing 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 and certain asset, liability and expenditure information for the Group's business segments.

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Paper manufacturing		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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	**1,433,719**	1,304,781	**228,155**	251,929	**509,769**	472,210	**155,750**	—	**—**	—	**2,327,393**	2,028,920
Intersegment sales	**3,593**	4,977	**368,012**	465,532	**107,451**	93,510	**28,431**	—	**(507,487)**	(564,019)	**—**	—
Total	**1,437,312**	1,309,758	**596,167**	717,461	**617,220**	565,720	**184,181**	—	**(507,487)**	(564,019)	**2,327,393**	2,028,920
Segment results	**242,842**	273,610	**24,506**	44,937	**31,330**	27,370	**11,342**	—	**1,560**	(1,366)	**311,580**	344,551
Interest, dividend income and other gains											**22,522**	11,341
Corporate and unallocated expenses											**(19,507)**	(19,275)
Profit from operating activities											**314,595**	336,617
Finance costs											**(12,203)**	(5,551)
Share of profits and losses of associates	**—**	—	**—**	—	**—**	—	**3,882**	9,122	**—**	—	**3,882**	9,122
Profit before tax											**306,274**	340,188
Tax											**(43,222)**	(55,204)
Profit before minority interests											**263,052**	284,984
Minority interests											**(22,771)**	(20,242)
Net profit attributable to shareholders											**240,281**	264,742

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Paper manufacturing		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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 assets	**1,289,216**	1,103,759	**422,072**	376,878	**680,064**	670,661	**707,171**	—	**(185,281)**	(183,403)	**2,913,242**	1,967,895
Interests in associates	**—**	—	**—**	—	**—**	—	**—**	195,696	**—**	—	**—**	195,696
Unallocated assets	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**207,142**	313,296
Total assets	**1,289,216**	1,103,759	**422,072**	376,878	**680,064**	670,661	**707,171**	195,696	**(185,281)**	(183,403)	**3,120,384**	2,476,887
Segment liabilities	**148,374**	227,693	**55,369**	24,189	**62,990**	106,858	**182,406**	—	**(185,281)**	(183,403)	**263,858**	175,337
Unallocated liabilities	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**715,012**	410,213
Total liabilities	**148,374**	227,693	**55,369**	24,189	**62,990**	106,858	**182,406**	—	**(185,281)**	(183,403)	**978,870**	585,550
Other segment information:												
Depreciation	**53,535**	48,066	**2,512**	234	**23,957**	22,049	**6,653**	—	**—**	—	**86,657**	70,349
Unallocated depreciation	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**194**	280
	53,535	48,066	**2,512**	234	**23,957**	22,049	**6,653**	—	**—**	—	**86,851**	70,629
Capital expenditure	**148,695**	120,328	**13,601**	22,531	**106,117**	50,473	**40**	—	**—**	—	**268,453**	193,332
Provision for bad and doubtful debts	**827**	5,270	**—**	—	**255**	1,370	**—**	—	**—**	—	**1,082**	6,640

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		United States of America		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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	**1,064,529**	1,078,846	**676,188**	435,688	**278,269**	281,139	**308,407**	233,247	**2,327,393**	2,028,920
Other segment information:										
Segment assets	**493,656**	513,912	**2,498,359**	1,846,303	**61,123**	53,468	**67,246**	63,204	**3,120,384**	2,476,887
Capital expenditure	**3,992**	1,215	**264,461**	192,117	**—**	—	**—**	—	**268,453**	193,332

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced sales, net of allowances for returns and trade discounts.

An analysis of the Group's turnover, other revenue and gains is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Turnover — sale of goods	**2,327,393**	2,028,920
Other revenue and gains:		
Dividend income from listed equity investments	**258**	258
Interest income	**9,344**	9,924
Unrealised gains on listed investments	**3,639**	1,159
Gain on foreign exchange forward contracts	**9,281**	—
Sundry income	**19,815**	12,315
	42,337	23,656
Total revenue	**2,369,730**	2,052,576

6. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2005	2004
	HK$'000	HK$'000
Depreciation (note 14)	**86,851**	70,629
Auditors' remuneration	**1,788**	1,679
Staff costs (including directors' remuneration — note 7):		
Wages, salaries and other allowances	**329,269**	281,911
Retirement scheme contributions	**2,968**	2,877
Less: Forfeited contributions*	**(16)**	(94)
Net retirement scheme contributions	**2,952**	2,783
Total staff costs	**332,221**	284,694
Minimum lease payments under operating leases in respect of land and buildings	**5,727**	3,998
Provision for bad and doubtful debts	**1,082**	6,640
Loss on disposal of fixed assets	**772**	481
Exchange gains, net	**(1,687)**	(4,202)

* At 31 March 2005, the Group had no forfeited contributions available to reduce its contributions to the retirement scheme in future years (2004: Nil).

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	2005	2004
	HK$'000	HK$'000
Fees:		
Executive directors	**—**	—
Non-executive directors*	**322**	270
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**13,471**	12,979
Retirement scheme contributions	**395**	422
Discretionary bonuses paid and payable	**12,766**	13,940
	26,954	27,611

* Fees include HK$242,000 (2004: HK$190,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**6**	4
HK$2,500,001 – HK$3,000,000	**1**	—
HK$3,000,001 – HK$3,500,000	**—**	1
HK$3,500,001 – HK$4,000,000	**1**	1
HK$8,500,001 – HK$9,000,000	**1**	1
HK$11,500,001 – HK$12,000,000	**1**	1
	10	8

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

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2004: four) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining one (2004: one) non-director, highest paid employee for the year are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,211**	1,140
Retirement scheme contributions	**46**	46
Discretionary bonuses paid and payable	**2,602**	2,664
	3,859	3,850

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

	Number of employees	
	2005	2004
HK$3,500,001 – HK$4,000,000	**1**	1

9. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank loans	**12,203**	5,551

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 countries in which the Group and the associates operate, based on existing legislation, interpretations and practices in respect thereof.

	2005	2004
	HK$'000	HK$'000
Group:		
Current — Hong Kong		
— Charge for the year	**16,122**	21,244
— Overprovision in prior years	**(809)**	(1,507)
Current — Mainland China		
— Charge for the year	**31,264**	32,470
— Tax refund#	**(6,478)**	—
Deferred tax (note 26)	**3,997**	2,446
	44,096	54,653
Share of tax attributable to associates:		
Mainland China	**(874)**	551
Total tax charge for the year	**43,222**	55,204

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 applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries, and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

	2005					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**109,310**		**196,964**		**306,274**	
Tax at the statutory tax rate	**19,129**	**17.5**	**64,998**	**33.0**	**84,127**	**27.4**
Lower tax rate for local authority*	**—**	**—**	**(31,245)**	**(15.8)**	**(31,245)**	**(10.2)**
Profits not subject to tax, due to concessions**	**—**	**—**	**(372)**	**(0.2)**	**(372)**	**(0.1)**
Adjustment in respect of current tax of previous period	**(809)**	**(0.7)**	**—**	**—**	**(809)**	**(0.3)**
Tax refund	**—**	**—**	**(6,478)**	**(3.3)**	**(6,478)**	**(2.1)**
Income not subject to tax	**(2,921)**	**(2.7)**	**(2,628)**	**(1.3)**	**(5,549)**	**(1.8)**
Expenses not deductible for tax	**1,817**	**1.6**	**400**	**0.2**	**2,217**	**0.7**
Tax losses not recognised	**—**	**—**	**1,445**	**0.7**	**1,445**	**0.5**
Tax losses utilised	**(114)**	**(0.1)**	**—**	**—**	**(114)**	**—**
Tax charge at the Group's effective rate	**17,102**	**15.6**	**26,120**	**13.3**	**43,222**	**14.1**

	2004					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	125,606		214,582		340,188	
Tax at the statutory tax rate	21,981	17.5	70,812	33.0	92,793	27.3
Lower tax rate for local authority*	—	—	(34,710)	(16.2)	(34,710)	(10.2)
Profits not subject to tax, due to concessions**	—	—	(683)	(0.3)	(683)	(0.2)
Effect on deferred tax of increase in rates	—	—	(51)	—	(51)	—
Adjustment in respect of current tax of previous period	(1,507)	(1.2)	(956)	(0.4)	(2,463)	(0.7)
Income not subject to tax	(1,747)	(1.4)	(175)	(0.1)	(1,922)	(0.6)
Expenses not deductible for tax	651	0.5	1,134	0.5	1,785	0.5
Tax losses not recognised	455	0.4	—	—	455	0.1
Tax charge at the Group's effective rate	19,833	15.8	35,371	16.5	55,204	16.2

* Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at rate of 33%. However, certain of the Group's subsidiaries are operating in specific development zones in Mainland China, and the relevant authorities have granted these subsidiaries preferential CIT rates ranging from 15% to 27%.

** 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.

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK$184,085,000 (2004: HK$170,456,000) (note 28(b)).

12. DIVIDENDS

	2005 HK$'000	2004 HK$'000
Interim dividend of HK9.5 cents (2004: HK9.5 cents) per ordinary share	**54,341**	54,341
Proposed final dividend of HK20.0 cents (2004: HK20.0 cents) per ordinary share	**115,559**	114,401
	169,900	168,742

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 PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$240,281,000 (2004: HK$264,742,000) and the weighted average of 572,942,598 (2004: 572,006,798) shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share amounts for the years ended 31 March 2005 and 2004 have not been presented as there were no dilutive potential ordinary shares in existence during these years.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:					
At beginning of year	465,319	911,042	27,782	59,835	1,463,978
Additions	30,798	180,423	3,352	3,868	218,441
Acquisition of subsidiaries (note 29(b))	104,882	209,700	2,926	465	317,973
Transfer from properties under construction (note 17)	33,921	—	—	—	33,921
Disposals	—	(2,874)	(1,852)	(165)	(4,891)
At 31 March 2005	634,920	1,298,291	32,208	64,003	2,029,422
Accumulated depreciation:					
At beginning of year	70,035	381,338	19,654	35,622	506,649
Provided during the year	14,229	63,908	3,073	5,641	86,851
Disposals	—	(1,788)	(1,554)	(102)	(3,444)
At 31 March 2005	84,264	443,458	21,173	41,161	590,056
Net book value:					
At 31 March 2005	550,656	854,833	11,035	22,842	1,439,366
At 31 March 2004	395,284	529,704	8,128	24,213	957,329

Certain leasehold land and buildings and plant and machinery of the Group with a total net book value of HK$335,785,000 (2004: HK$55,146,000) have been pledged to secure banking facilities granted to the Group (note 25).

14. FIXED ASSETS (continued)

Group (continued)

An analysis of the cost of the Group's leasehold land and buildings at the balance sheet date is as follows:

	2005 HK$'000	2004 HK$'000
Hong Kong — medium term leases	**107,119**	107,119
Mainland China, under land use rights valid for:		
50 years from 28 May 1992	**75,646**	75,646
30 years from 17 December 1996	**85,596**	85,596
50 years from 24 March 1997	**98,950**	98,497
50 years from 17 September 1998	**104,882**	—
50 years from 30 March 2002	**75,975**	72,697
50 years from 2 December 2002	**57,131**	19,427
45 years from 1 December 2003	**6,337**	6,337
50 years from 31 January 2005	**23,284**	—
	634,920	465,319

14. FIXED ASSETS (continued)

Company

	Leasehold land and buildings HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:				
At beginning of year	14,981	4,704	748	20,433
Disposals	—	(624)	—	(624)
At 31 March 2005	14,981	4,080	748	19,809
Accumulated depreciation:				
At beginning of year	2,307	4,126	638	7,071
Provided during the year	559	169	25	753
Disposals	—	(594)	—	(594)
At 31 March 2005	2,866	3,701	663	7,230
Net book value:				
At 31 March 2005	12,115	379	85	12,579
At 31 March 2004	12,674	578	110	13,362

The Company's leasehold land and buildings are situated in Mainland China under land use rights valid for 30 years from 17 December 1996.

15. GOODWILL

The amount of goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

	Group HK$'000
Cost:	
Acquisition of subsidiaries during the year (note 29(b)) and at 31 March 2005	3,041

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

The amounts of goodwill and negative goodwill remaining in the Group's capital reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, were HK$814,000 and HK$105,103,000, respectively as at 1 April 2004 and 31 March 2005. The amount of goodwill is stated at its cost.

16. LONG TERM INVESTMENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at fair value	**60**	86	**—**	—
Club debentures, at fair value	**1,362**	1,362	**802**	802
	1,422	1,448	**802**	802
Hong Kong listed equity investments, at market value	**9,016**	5,377	**—**	—
	10,438	6,825	**802**	802

17. PROPERTIES UNDER CONSTRUCTION

	Group 2005 HK$'000	2004 HK$'000
At beginning of year	**41,291**	46,399
Additions	**50,012**	57,980
Transfer to fixed assets (note 14)	**(33,921)**	(63,088)
At 31 March	**57,382**	41,291

The properties under construction are located in Mainland China.

18. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**401,861**	120,813
Due from subsidiaries	**367,484**	487,710
Due to subsidiaries	**—**	(60,549)
	769,345	547,974
Less: Provision against an amount due from a subsidiary	**(1,353)**	(1,353)
	767,992	546,621

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK$100	100	—	Paper products and carton box trading
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$80,000,000	—	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$15,000,000	—	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/ Mainland China	US$100	100	—	Investment holding
South Gain Enterprises Limited	Hong Kong	HK$1,000,000	—	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
South Gain Paper Products Company Limited#§§	the PRC/Mainland China	US$15,000,000	—	56	Not yet commenced operations
Sun Hing Paper (Shenzhen) Company Limited*§§	the PRC/Mainland China	HK$30,000,000	—	100	Paper trading

18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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 (note)*§	the PRC/Mainland China	US$28,830,000	51	8	Paper manufacturing
Zhongshan Ren Hing Paper Manufacturing Company Limited (note)*§	the PRC/Mainland China	US$14,710,000	51	8	Paper manufacturing
Hung Hing Printing (Heshan) Company Limited#§§@	the PRC/Mainland China	HK$80,000,000	—	100	Not yet commenced operations

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.

Note: During the year, the Group acquired additional 24% interests in its associates, Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited ("Rengo") and Zhongshan Ren Hing Paper Manufacturing Company Limited ("Ren Hing"), from their existing shareholders. Subsequent to this acquisition, Rengo and Ren Hing have become 59% owned subsidiaries of the Group. Further details of this acquisition are included in note 29(b) to the financial statements.

@ Incorporated during the year

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

* The financial statements of these subsidiaries for the year ended 31 December 2004 have been audited by Ernst & Young. The results of these subsidiaries have been consolidated into the Group's financial statements for the year ended 31 March 2005 based on the audited financial statements for the year ended 31 December 2004 and their unaudited management accounts for the three months ended 31 March 2005.

Not audited by Ernst & Young Hong Kong, other Ernst & Young International member firms or Nexia Charles Mar Fan & Co..

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**—**	118,213
Share of net assets other than goodwill	**—**	137,557	**—**	—
	—	137,557	**—**	118,213

Particulars of the associates are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group 2005	2004	Principal activities
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Corporate	the PRC/Mainland China	—	35	Paper Manufacturing
Zhongshan Ren Hing Paper Manufacturing Company Limited	Corporate	the PRC/Mainland China	—	35	Paper Manufacturing

During the year, the Group acquired additional 24% interests in Rengo and Ren Hing from their existing shareholders. Subsequent to this acquisition, Rengo and Ren Hing have become 59% owned subsidiaries of the Group. Further details of this acquisition are included in notes 18 and 29(b) to the financial statements.

20. DUE FROM ASSOCIATES

The Group's amounts due from associates were unsecured, bore interest at prime rate for balances due over one month and had no fixed terms of repayment.

21. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Raw materials	**392,010**	327,886
Work in progress	**48,941**	31,203
Finished goods	**112,660**	41,909
	553,611	400,998

As at 31 March 2005, there were no inventories stated at net realisable value (2004: Nil).

22. ACCOUNTS AND BILLS RECEIVABLE

	Group 2005 HK$'000	2004 HK$'000
Accounts receivable	**594,600**	407,144
Bills receivable	**49,909**	—
	644,509	407,144

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

	Group 2005 HK$'000	2004 HK$'000
Within 30 days	**256,816**	162,752
Between 31 and 60 days	**151,451**	125,840
Between 61 and 90 days	**97,577**	43,836
Over 90 days	**88,756**	74,716
	594,600	407,144

22. ACCOUNTS AND BILLS RECEIVABLE (continued)

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.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**170,962**	145,331	**4,333**	7,022
Time deposits	**163,454**	292,044	**69,114**	107,621
	334,416	437,375	**73,447**	114,643

At the balance sheet date, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$238,867,000 (2004: HK$244,391,000). 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.

24. ACCOUNTS PAYABLE

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 30 days	**98,921**	54,952
Between 31 and 60 days	**17,207**	25,352
Between 61 and 90 days	**1,812**	2,263
Over 90 days	**6,076**	4,607
	124,016	87,174

25. INTEREST-BEARING BANK LOANS

	Group	
	2005	2004
	HK$'000	HK$'000
Bank loans:		
Secured	**136,792**	—
Unsecured	**501,736**	322,792
Trust receipt loans	**14,985**	18,095
	653,513	340,887
Short term bank loans and trust receipt loans repayable within one year	**308,513**	100,887
Long term bank loans repayable:		
Within one year	**20,000**	10,000
In the second year	**135,417**	20,000
In the third to fifth years, inclusive	**189,583**	210,000
	345,000	240,000
	653,513	340,887
Portion classified as current liabilities	**(328,513)**	(110,887)
Long term portion	**325,000**	230,000

Certain of the Group's banking facilities amounting to HK$174,528,000 (2004: HK$37,736,000) are secured by the pledge of certain leasehold land and buildings and plant and machinery of the Group with a total net book value of HK$335,785,000 (2004: HK$55,146,000) (note 14). The above banking facilities were utilised to the extent of HK$136,792,000 (2004: Nil) as at the balance sheet date.

26. DEFERRED TAX

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

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	Provision for doubtful debts HK$'000	Others HK$'000	Total HK$'000
At 1 April 2003	18,014	(3,173)	(662)	14,179
Deferred tax charged/(credited) to the profit and loss account during the year (note 10)	1,597	925	(73)	2,449
At 31 March 2004 and at 1 April 2004	19,611	(2,248)	(735)	16,628
Deferred tax charged/(credited) to the profit and loss account during the year (note 10)	3,575	(867)	(11)	2,697
At 31 March 2005	23,186	(3,115)	(746)	19,325

26. DEFERRED TAX (continued)

Deferred tax assets

Group

	Accelerated tax depreciation HK$'000	Provision for doubtful debts HK$'000	Others HK$'000	Total HK$'000
At 1 April 2003	88	(2,121)	(351)	(2,384)
Deferred tax charged/(credited) to the profit and loss account during the year, including a credit of HK$51,000 due to the effect of a change in tax rate (note 10)	70	93	(166)	(3)
At 31 March 2004 and at 1 April 2004	158	(2,028)	(517)	(2,387)
Acquisition of subsidiaries (note 29(b))	(2,113)	(2,860)	—	(4,973)
Deferred tax charged/(credited) to the profit and loss account during the year (note 10)	169	1,133	(2)	1,300
At 31 March 2005	(1,786)	(3,755)	(519)	(6,060)

The Group has tax losses arising in Hong Kong of HK$8,696,000 (2004: HK$9,345,000) and in Mainland China of HK$33,301,000 (2004: HK$14,032,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. 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 2005, there was no unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted.

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

26. DEFERRED TAX (continued)

Deferred tax liabilities/(assets)

Company

	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 April 2003	121	—	121
Deferred tax credited to the profit and loss account during the year	(29)	(212)	(241)
At 31 March 2004 and at 1 April 2004	92	(212)	(120)
Deferred tax credited to the profit and loss account during the year	(27)	(21)	(48)
At 31 March 2005	65	(233)	(168)

27. SHARE CAPITAL

	2005 Number of shares	2004 Number of shares	**2005 HK$'000**	2004 HK$'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	**577,796,067**	572,006,798	**57,779**	57,200

Pursuant to a scrip dividend scheme as detailed in the Company's circular dated 7 January 2005, a total of 5,789,269 ordinary shares of HK$0.10 each were issued on 31 January 2005 to shareholders who elected to receive shares for the Company's 2005 interim dividend, at an issue price of HK$5.4 per share during the year.

27. SHARE CAPITAL (continued)

A summary of the transaction during the year with reference to the above movement in the Company's issued ordinary share capital is as follows:

	Number of share in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2003, 31 March 2004 and 1 April 2004	572,006,798	57,200	590,690	647,890
Issue of shares pursuant to a scrip dividend scheme	5,789,269	579	30,683	31,262
At 31 March 2005	577,796,067	57,779	621,373	679,152

28. 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 board of directors of the relevant subsidiaries and the use thereof is governed by the relevant laws and regulations of Mainland China.

28. RESERVES (continued)

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2003		590,690	966	34,569	626,225
Net profit for the year		—	—	170,456	170,456
Interim 2004 dividend	*12*	—	—	(54,341)	(54,341)
Proposed final 2004 dividend	*12*	—	—	(114,401)	(114,401)
At 31 March 2004 and 1 April 2004		590,690	966	36,283	627,939
Net profit for the year		—	—	184,085	184,085
Issue of shares pursuant to a scrip dividend scheme	*27*	30,683	—	—	30,683
Interim 2005 dividend	*12*	—	—	(54,341)	(54,341)
Proposed final 2005 dividend	*12*	—	—	(115,559)	(115,559)
At 31 March 2005		621,373	966	50,468	672,807

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transaction

During the year, the Company settled its 2005 interim dividend of HK$31,262,000 by the issue of 5,789,269 ordinary shares of HK$0.1 each at an issue price of HK$5.4 per share pursuant to a scrip dividend scheme. Further details of which are set out in note 27 to the financial statements.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of subsidiaries

	Notes	2005 HK$'000	2004 HK$'000
Net assets acquired:			
Fixed assets	*14*	**317,973**	—
Deferred tax assets	*26*	**4,973**	—
Cash and bank balances		**48,555**	—
Accounts and bills receivable		**173,061**	—
Inventories		**126,459**	—
Prepayments, deposits and other receivables		**21,302**	—
Due to fellow subsidiaries		**(108,372)**	—
Accounts payable		**(20,493)**	—
Tax payable		**(1,037)**	—
Other payables and accrued liabilities		**(37,665)**	—
Interest-bearing bank loans		**(139,623)**	—
Minority interests		**(134,796)**	—
		250,337	—
Goodwill on acquisition	*15*	**3,041**	—
		253,378	—
Satisfied by:			
Cash		**118,581**	—
Reclassification to interests in subsidiaries from interests in associates		**134,797**	—
		253,378	—

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of subsidiaries (continued)

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

	2005	2004
	HK$'000	HK$'000
Cash consideration	**(118,581)**	—
Cash and bank balances acquired	**48,555**	—
	(70,026)	—

On 9 December 2004, the Group acquired additional 24% interests in Rengo and Ren Hing from their existing shareholders. Rengo and Ren Hing are engaged in the manufacturing of paper. The purchase consideration was in the form of cash, with HK$118,339,000 and HK$242,000 being paid on 16 December 2004 and 29 December 2004, respectively.

Since the acquisition, Rengo and Ren Hing contributed HK$155,750,000 to the Group's turnover and HK$7,614,000 to the consolidated profit after tax and before minority interests for the year ended 31 March 2005.

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2005	2004
	Notes	**HK$'000**	HK$'000
Sales to associates	*(i)*	**254,354**	249,982
Purchases from associates	*(i)*	**61,133**	90,717
Rentals paid to Perla City Investments Limited, a company beneficially owned by Mr. Yum Chak Ming, Matthew	*(ii)*	**480**	480
Rentals paid to Gaintek Holdings Limited, a company beneficially owned by Mr. Yam Hon Ming, Tommy	*(ii)*	**840**	840
Interest income received from associates	*(iii)*	**1,821**	2,552

30. RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) The sales to associates were carried out in the ordinary course of business of the Group according to the prices and conditions offered to regular customers of the Group, and the purchases from associates were carried out in the ordinary course of business of the Group according to the prices and conditions similar to those offered to regular customers of the suppliers.

(ii) The rentals paid to Perla City Investments Limited and Gaintek Holdings Limited were in connection with the housing benefits provided to Messrs. Yum Chak Ming, Matthew and Yam Hon Ming, Tommy, directors of the Company, respectively, and were based on estimated open market rentals and have been included in the directors' remuneration as detailed in note 7 to the financial statements.

(iii) The interest income from associates arose from the amounts due from associates, arising in the ordinary course of business of the Group, further details including the terms of which are disclosed in note 20 to the financial statements.

31. CONTINGENT LIABILITIES

(a) The tax assessments for the years 1996/1997 to 2003/2004 in respect of certain subsidiaries of the Group are currently under review by the Hong Kong Inland Revenue Department (the "IRD"). Based on the information available up to the date of approval of these financial statements, the Company's directors consider that adequate provision has been made in the current year's financial statements. Moreover, the IRD may impose additional assessments upon completion of the review. The directors are of the opinion that the additional assessments, if any, cannot be reliably ascertained at this stage and will not be significant to the Group's financial statements. Accordingly, no provision for any additional tax assessments was made at the balance sheet date.

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

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries	**—**	—	**912,520**	712,520
Amount of banking facilities with the Company's guarantees utilised by subsidiaries	**—**	—	**384,184**	308,038

32. 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 2005, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,760**	3,216	**480**	480
In the second to fifth years, inclusive	**6,268**	6,303	**480**	—
After five years	**64,303**	69,904	**—**	—
	73,331	79,423	**960**	480

33. COMMITMENTS

(a) Capital commitments

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the balance sheet date:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for:				
Land and buildings	**21,416**	40,724	**—**	—
Plant and machinery	**13,853**	108,711	**—**	—
Investments in subsidiaries in Mainland China	**—**	—	**6,118**	104,188
	35,269	149,435	**6,118**	104,188

33. COMMITMENTS (continued)

(b) Forward foreign exchange contracts

At the balance sheet date, the Group had the following notional amounts of forward foreign exchange contracts:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Buying of RMB	**—**	237,380	**—**	—
Buying of EURO	**40,464**	38,123	**—**	38,123
Buying of USD	**95,909**	134,395	**95,909**	134,395
Selling of RMB	**94,340**	405,032	**94,340**	307,391
Selling of USD	**39,936**	84,739	**—**	37,939

The net unrealised gain on forward foreign exchange contracts at the balance sheet date has not been recorded as it is not material to the Group's financial statements.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5 July 2005.

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