HUNG HING

HUNG HING PRINTING GROUP LIMITED

鴻 興 印 刷 集 團 有 限 公 司

ANNUAL REPORT

年報 2004

Contents

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, and trading of paper.

Headquartered at the Tai Po Industrial Estate in Hong Kong, Hung Hing also has one plant in Fuyong (Shenzhen, China), two plants (one of which is 35% — owned joint venture) in Zhongshan, China and a new plant in Wuxi (near Shanghai, China). Total production floor space reaches 4.7 million square feet, with a workforce of over 10,000 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

Wu Shu Chih, Alex, CBE, LLD, JP
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

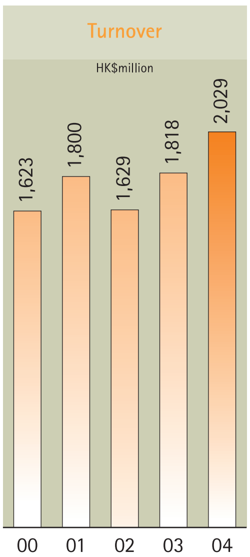
Ernst & Young
Nexia Charles Mar Fan & Co.

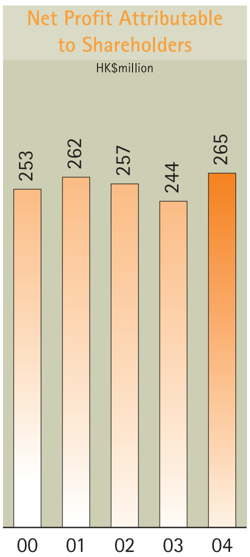
Share Registrar

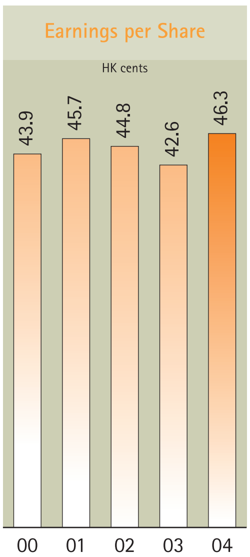
Tengis Limited
G/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

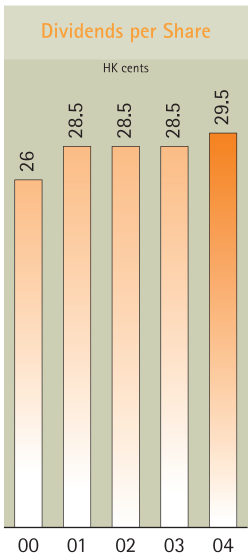
Financial Highlights

Year ended 31 March	**2004** **HK$'000**	2003 HK$'000	Percentage change
Turnover	**2,028,920**	1,818,333	+12
Profit from Operating Activities	**336,617**	305,419	+10
Net Profit Attributable to Shareholders	**264,742**	243,531	+9
Fixed Assets	**957,329**	830,866	+15
Shareholders' Equity	**1,739,859**	1,638,139	+6
Earnings per Share (cents)	**46.3**	42.6	+9
Dividends per Share (cents)	**29.5**	28.5	+4









Chairman's Statement

Mr. Yam Cheong Hung
Chairman

During the year, we attained a number of important milestones, including the completion of our Wuxi plant and Shenzhen distribution and warehouse facility, our tenth anniversary in the UK operation and our top ranking in the Top 100 of the Printing Industry of Guangdong.

TO OUR SHAREHOLDERS:

The fiscal year 2003–2004 had two distinct phases — the first half was marked by challenging conditions, and the second saw a turnaround in the macro-economic environment. Hung Hing Printing Group Limited capitalized on the upswing in the economic conditions and its internal efficiencies to achieve double digit growth in turnover.

The Group also attained a number of milestones during the year.

- The commissioning of our new printing and corrugating facility at Wuxi marked the culmination of one of our most significant investment in recent years. The commissioning is timely, at a time of overall economic recovery and we believe that the plant would facilitate our making further inroads into domestic China, as well as export markets.
- Construction was completed on the Group's Shenzhen distribution and warehouse facility, and it became operational.
- Our Shenzhen subsidiary, Hung Hing Printing (China) Co Ltd., was ranked first in the Top 100 of the Printing Industry of Guangdong, a ranking organized by the Printing Association of Guangdong Province. This is a gratifying expert testament to the excellent performance of the facility's operations.
- Internationally, the UK operations of the Group celebrated their 10th anniversary.

RESULTS

For the year ended 31 March 2004, the Group's turnover increased 12% to HK$2,029 million, primarily due to growth in direct and indirect exports out of China. Profit from operating activities increased 10% to HK$337 million. Earnings per share grew by 9% to reach HK46.3 cents.

The Board of Directors is proposing a final dividend of HK20 cents per share, bringing the total dividend for the year to HK29.5 cents per share, an increase of 4% over last year.

TRENDS IMPACTING THE INDUSTRY

Trends affecting the industry included paper price adjustments especially during the second half of the year, and price pressure from competitors based in mainland China.

Our strong cost controls, economies of scale, and ongoing marketing rendered us well placed to capitalize on the upswing in economic conditions. Several of the policies and investments made in the past helped us achieve growth during the year under review.

KEY STRATEGIES FOR GROWTH

Diversification: The Group continued to diversify its customer base into different industry sectors. This strategy not only helped the Group achieve robust growth but also helped it hedge against sector-specific market fluctuations.

Continuing investment: The Group continued to invest in machinery and facilities even during the previous challenging economic conditions. As a result we were well prepared to capture new customers with end-to-end service delivery needs as the market took off.

Maintenance of margins: The Group's history of prudent fiscal and cost management stood it in good stead while competing with aggressive and price-based competitors from mainland China. Our vertically integrated business model also helped us maintain our margins despite the paper price adjustments that emerged in the second half of the year.

Ongoing marketing: The Group continued to aggressively increase its presence in mainland China as well as export markets such as Europe and the US. These campaigns combined with the overall economic upswing to yield increased turnover. We also successfully worked with more marketing partners to secure packaging programs based on the breadth and depth of our manufacturing facilities.

- *China:* The Group enhanced its capabilities to service the mainland China market significantly with the completion of its distribution and warehouse at Shenzhen and the commissioning of its new plant at Wuxi with increased manpower. We also broadened our customer base with the addition of new clients in the information technology, telecommunication, food and beverage and cosmetics sectors.

- *Europe:* The Group established relationships with newly appointed agents in order to be better placed to obtain more revenue from new clients. We also benefited from a resurgence in consumer confidence during the second half of the year under review, as well as from a strong Euro to achieve an increase of 17% in revenue achieved from the region.

- *US:* The second half of the year saw a significant upswing in demand for children's books and other paper products, resulting in an increase of 23% in revenue from this market.

The Group entered a new market with the printing of hardcover books as a measure to offer a more comprehensive range of services to US and European publishers.

The success of the above strategies is reflected in the satisfactory results that we were able to achieve during the year under review.

OUTLOOK

We are confident of steady performance during the coming year, and expect that barring unforeseen circumstances, the recovery in export markets will continue. Cost of raw materials and freight costs will also move upwards along with the economy, which will have an impact on cost of goods sold in the coming years. The increasing emphasis placed by multinational customers across sectors on end-to-end service delivery and high quality control will lead to consolidation among printers in mainland China — with the potential to relieve pricing pressure.

My warmest thanks to each member of our dedicated staff whose commitment and hard work has made it possible to achieve our goals.

Yam Cheong Hung
Chairman

Hong Kong, 6 July 2004

Management Discussion and Analysis

Mr. Yum Chak Ming, Matthew
Managing Director

Our emphasis on cost control, economies of scale and ongoing marketing enabled us to achieve an increase of 10% in operating profit. Our investments made in the past have helped us achieve satisfactory growth, particularly in an improved economy.

Global economic conditions saw a gradual improvement through the second half of the year, enabling the Group to achieve growth of 12% in revenue. Another positive factor was the growing trend among multinational customers to outsource their orders to single, vertically integrated suppliers who could offer a range of services.

Paper price adjustments and price-based competition in the market resulted in pressure on margins.

The Group achieved an increase of 44% in the other revenues and gains due to increased sales of scrap materials from production, a write back of diminution in listed investments, and exchange gains from foreign currency deposits. The revenue growth achieved by the Group came with an associated increase of 20% in distribution costs — including both freight costs from exports and transportation costs within China.

However, the Group's emphasis on cost control, economies of scale and ongoing marketing enabled it to achieve an increase of 10% in operating profit.

An analysis by business division is as follows:

	Turnover			Contribution to operating profit		
	2004 HK$'000	%	% change from 2003	2004 HK$'000	%	% change from 2003
Paper and carton box printing and manufacturing	1,304,781	64	+17	273,610	81	+14
Paper trading	251,929	13	-6	44,937	13	+29
Corrugated carton manufacturing	472,210	23	+8	27,370	8	-33
Eliminations	–	–	–	(1,366)	–	N/A
	2,028,920	100	+12	344,551	102	+9
Interest, dividend income and other gains				11,341	4	+17
Corporate and unallocated expenses				(19,275)	–6	–2
				336,617	100	+10

PAPER AND CARTON BOX PRINTING AND MANUFACTURING

Our largest division achieved satisfactory growth levels with an 17% increase in turnover over the previous year. This growth was driven by continued growth in demand for innovative children's books and paper products, particularly from the export markets of US and Europe during the second half of the year. A second driver was increased demand for packaging, particularly for indirect exports from mainland China.

Paper price adjustments over the second half of the year and ongoing pricing pressure affected margins. However, through prudent operating policies and economies of scale this division recorded an increase of 14% in profit from operating activities.

This division diversified its customer base especially in terms of industry sector. A key trend that emerged relative to this division was the consolidation of suppliers by major customers and publishers from export markets. This division was able to take advantage of the vertically integrated operations of the Group to broaden and deepen existing customer relationships.

Paper consumption for this division grew by 13%, reflecting strong end-user demand. Demand from the US and Europe was strong, resulting in an increase of 20% in export sales.

This division took full advantage of the recovery in consumer confidence through aggressively acquiring new customers, and added a further thrust to its marketing efforts by recruiting additional members to its local sales teams.

PAPER TRADING

The paper trading division faced stiff competition from paper merchants and manufacturers in mainland China, resulting in a decline of turnover of 6%. However, the division capitalized on strong internal demand from the Group's other manufacturing divisions to achieve an increase of 29% in profit from operating activities. The division's prudent inventory policies meant it could benefit from the paper price adjustments prevalent during the second half of the year. More strategically, the division's ready supply of paper to the Group's other manufacturing divisions contributed significantly to the sound growth levels achieved by the other divisions of the Group.

The division's focus on offering a wide range of paper, sourced both from China and from locations such as Brazil and Scandinavia, also elevate it to a different niche in the market.

Construction at our Shenzhen distribution and warehouse facility was completed and it became operational during the beginning of the current financial year. We are confident that the facility will enhance the division's service capabilities, enabling it to stock a wider range of local and imported novelty paper, increasing its competitiveness, yield enhanced economies to the other manufacturing divisions of the Group and also appeal to printers in China's domestic market.

Management Discussion and Analysis

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1, 2 & 3: Exterior and inside operation of the Shenzhen distribution and warehouse facility
4, 5 & 6: The showroom and operation of our plant in Fuyong, Shenzhen

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CORRUGATED CARTON MANUFACTURING

This division was positively impacted by overall economic recovery and increased its turnover levels by 8%. However, paper price adjustments and aggressive pricing strategies followed by local competitors continued to exert pressure on margins, leading to a decline of 33% in profit from operating activities.

The division focused on increasing its turnover and the breadth of customers to counter the competition. With increased emphasis on value-added service and end-to-end solutions, this division allowed the Group to further deepen its relationships with key customers of other divisions. The growth in sales volume also allowed the division to achieve greater efficiencies and economies of scale.

To increase further synergy with other divisions, the Group is investing in new converting, die-cutting and folding machines, and building a new facility in Zhongshan. The new facility will be ready towards the end of this year and is expected to enhance the competitiveness and efficiency of the corrugated carton division.

ASSOCIATES

Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited
Zhongshan Ren Hing Paper Manufacturing Company Limited

The Group's associates in Zhongshan, southern China, continued to benefit from paper price adjustments to achieve a growth of 20% in volume contributing to the Group's profits by HK$9.1 million. Upgrades in existing machinery at the Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and the commencement of full operations of the fourth paper-making production line at the Zhongshan Ren Hing Paper Manufacturing Company Limited, have helped increase our competitiveness and capitalize on growth in demand.

The year under review was the Zhongshan Ren Hing Paper Manufacturing Company Limited's first year of profitable operations. The associate accordingly started to enjoy preferential tax rates, together with a tax rebate for technological facilities from Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited, helped reduce overall tax expenditure by 57%.

NEW PRINTING AND CORRUGATING FACILITY IN WUXI

Our new printing and corrugating facility in Wuxi, a city near Shanghai, is now operational and has enhanced our capacity. The facility has been completed in a timely fashion as the market trends upwards, and we believe that it will enhance our efforts to increase market share in both domestic China and export markets.

The Wuxi plant has made a normal start-up and initial operational loss of HK$14 million since it became operational in October 2003. The summer peak season and the overall upturn in demand, however, will increase the plant's throughput further and we are confident the facility's performance will improve steadily.

Management Discussion and Analysis


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7, 8, 9, 10 & 11 : Exterior and inside operation of our new plant in Wuxi


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FINANCIAL AND CAPITAL RESOURCES

The Group's capital expenditure during the year amounted to HK$193 million, of which HK$58 million was spent on land and plant construction and HK$135 million was spent on machinery and equipment.

In terms of location, the Group invested HK$115 million and HK$23 million on the Wuxi plant and the Shenzhen distribution and warehouse facility respectively. Other investments included HK$39 million and HK$16 million on enhancements to the Group's existing Shenzhen and Zhongshan facilities.

Construction of a new printing and corrugating facility at our Zhongshan plant has started and together with capacity expansion in our Shenzhen plant, we expect that our total capital expenditure for the next fiscal year will be approximately HK$200 million.

With acceleration of capacity expansion in our China plants, we have arranged more term loans to support the investment needs of our growth strategy. Of our total bank borrowings of HK$341 million at 31 March 2004, HK$111 million was in short term borrowings repayable within 1 year and HK$230 million was in long term borrowings repayable within two to five years.

During the year under review, surplus cash when placed in short-term RMB deposits, earned us a higher interest than Hong Kong dollar and U.S. dollar deposits. Operating expenses of our subsidiaries in mainland China also needed to be paid in RMB. As a result we kept more cash in RMB than any other currency during the year under review. As at 31 March 2004 we had total cash on hand of HK$437 million, of which 56% was in RMB, 19% in Hong Kong dollars, 14% in U.S. dollars and 11% in Euros and Pounds Sterling.

On the other hand because of the low interest rate in Hong Kong, our bank borrowings were primarily in Hong Kong dollars. Of our total bank borrowings of HK$341 million, 89% was in Hong Kong dollars and 11% was in U.S. dollars.

Though we had a higher level of bank borrowings, our interest expenses declined by 9% to HK$5.6 million as a result of declines in interest rates in Hong Kong. Our total bank borrowings as a ratio to shareholder equity was 20% representing a gearing ratio which was within a comfortable level.

As at 31 March 2004, we held cash net of debt of HK$96 million. Because of our strong financial position and improvement in profit for the year the Board has recommended an increase in final dividend to shareholders from HK19 cents per share last year, to HK20 cents per share this year.

EMPLOYEES

As at 31 March 2004, the Group (excluding its associates) employed a total of 10,166 staff in Hong Kong and China. Of the total, 280 were employed in Hong Kong and 9,886 in China.

The Group continues to provide technical, management and safety training to employees at all levels to increase their professional knowledge and contribute to their career development.

The management gratefully acknowledges the dedication of Hung Hing's staff, without which it would not be possible to grow or perform in this competitive marketplace. We look forward to continuing to work with them in the coming years.

Matthew C.M. Yum
Managing Director

Hong Kong, 6 July 2004

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

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 and carton boxes, the trading of paper and the manufacturing of corrugated cartons. 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 2004 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 68.

An interim dividend of HK9.5 cents per share was paid on 14 January 2004. 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 24 August 2004. 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.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting deferred taxes, as detailed in note 2 to the financial statements.

SUMMARY FINANCIAL INFORMATION (continued)

Results

	Year ended 31 March				
	2004	2003	2002	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TURNOVER	**2,028,920**	1,818,333	1,628,556	1,800,162	1,622,512
PROFIT FROM OPERATING ACTIVITIES	**336,617**	305,419	303,309	345,731	291,248
Finance costs	**(5,551)**	(6,119)	(7,083)	(13,489)	(7,087)
Share of profits and losses of associates	**9,122**	9,736	5,346	13,340	19,378
PROFIT BEFORE TAX	**340,188**	309,036	301,572	345,582	303,539
Tax	**(55,204)**	(44,794)	(24,262)	(58,303)	(29,642)
PROFIT BEFORE MINORITY INTERESTS	**284,984**	264,242	277,310	287,279	273,897
Minority interests	**(20,242)**	(20,711)	(20,803)	(25,068)	(20,836)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**264,742**	243,531	256,507	262,211	253,061
EARNINGS PER SHARE					
Basic	**46.3 cents**	42.6 cents	44.8 cents	45.7 cents	43.9 cents

SUMMARY FINANCIAL INFORMATION (continued)

Assets, Liabilities and Minority Interests

	At 31 March				
	2004	2003	2002	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
FIXED ASSETS	**957,329**	830,866	804,597	698,808	653,260
LONG TERM INVESTMENTS	**6,825**	5,666	5,673	5,694	7,207
PROPERTIES UNDER CONSTRUCTION	**41,291**	46,399	15,204	30,945	34,187
INTERESTS IN ASSOCIATES	**137,557**	137,022	136,586	141,764	102,935
DEFERRED TAX ASSETS	**2,387**	2,384	1,837	1,396	757
CURRENT ASSETS	**1,331,498**	1,137,369	1,038,848	980,483	949,325
TOTAL ASSETS	**2,476,887**	2,159,706	2,002,745	1,859,090	1,747,671
CURRENT LIABILITIES	**338,922**	269,357	213,249	200,015	268,046
LONG TERM LOANS	**230,000**	90,000	85,000	45,094	–
DEFERRED TAX LIABILITIES	**16,628**	14,179	11,998	21,149	6,517
LONG TERM PORTION OF FINANCE LEASE PAYABLES	**–**	–	–	245	662
TOTAL LIABILITIES	**585,550**	373,536	310,247	266,503	275,225
MINORITY INTERESTS	**151,478**	148,031	134,868	123,171	107,448
	1,739,859	1,638,139	1,557,630	1,469,416	1,364,998

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

There were no movements in either the Company's authorised or issued share capital during the year.

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 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$150,684,000, of which HK$114,401,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$590,690,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$94,000.

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 31% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

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

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

Independent non-executive directors:
Wu Shu Chih, Alex
Yip Yu Bun

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 Cheong Hung
Yum Chak Ming, Matthew
Wu Shu Chih, Alex

Report of the Directors

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

Executive directors

Mr. Yam Cheong Hung, aged 75, 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 46, 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 45, 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.

Mr. Yam Hon Ming, Tommy, aged 40, 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 53, 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 43, 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.

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

Independent non-executive directors

Dr. Wu Shu Chih, Alex, CBE, LLD, JP, aged 84, has been a director of the Company since 1992. He was a former member of the Legislative Council, and former Vice Chairman of the Stock Exchange. He is presently the Chairman of Fidelity Management Ltd. and a non-executive director of a number of listed companies including Hong Kong Aircraft Engineering Co., Ltd., Hong Kong Ferry (Holdings) Co., Ltd., K. Wah International Holdings Ltd., Paliburg Holdings Ltd. and Regal Hotels International Holdings Limited. Dr. Wu is also the Life Honorary President of the Hong Kong Printers Association.

Mr. Yip Yu Bun, MH, aged 77, 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 Industries Occupational, Safety & Health Committee 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.

Senior management

Mr. Man Lim Huen, aged 70, 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 46, 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 45, 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 19 years of experience in the printing industry and has been with the Group since 1986.

Mr. Chan Tai Ho, aged 55, 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.

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

Senior management (continued)

Mr. Chan Lai Him, Raymond, aged 47, 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 15 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 43, 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 34, is the General Manager of the Group's subsidiary, Sun Hing Paper Company, Limited and is responsible for its general management. She has over 10 years of experience in sales and marketing in paper trading. She has been with the Group since 1992.

Mr. Tung Yu Biu, aged 55, 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 Society of 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 71, is the Group's representative in the management of the Group's associate, Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited, working in the capacity of Deputy General Manager. He is responsible for sales, finance and administration. 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 50, 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 been with the Group since January 2004 and has over 15 years experience in senior management in the printing industry.

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' INTERESTS IN CONTRACTS

Save as disclosed in note 28 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' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interests					
Name of director	*Notes*	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Other**	**Total**	**Percentage of the Company's issued share capital**
Yam Cheong Hung	*(a) & (b)*	–	1,246,411	267,111,681	1,530,000	269,888,092	47.18
Yum Chak Ming, Matthew	*(a)*	8,061,834	–	267,111,681	–	275,173,515	48.11
Yam Ho Ming, Michael	*(a)*	–	–	267,111,681	–	267,111,681	46.70
Yam Hon Ming, Tommy	*(a)*	–	–	267,111,681	–	267,111,681	46.70
Yum Pui Ming, Anna	*(a)*	1,150,000	877,759	267,111,681	–	269,139,440	47.05

Notes:

(a) 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 89,224,532 shares of the Company and indirectly holds 177,887,149 shares of the Company through its subsidiary, Hung Tai Industrial Company Limited.

(b) Yam Cheong Hung's spouse is a director of Oberon Worldwide Limited which holds 1,530,000 shares of the Company.

Save as disclosed above, none of the directors and chief executives had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations 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.

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

At 31 March 2004, the following interest 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	267,111,681	46.70
Hung Tai Industrial Company Limited		Directly beneficially owned	177,887,149	31.10
J.P. Morgan Chase & Co.	*(b)*	Through controlled corporations	50,800,000	8.88
The Capital Group Companies, Inc.	*(c)*	Through controlled corporations	56,776,751	9.93

Notes:

(a) There is a duplication of interests of 177,887,149 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 50,800,000 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 holds 20,592,000, 24,918,000, 4,500,000 and 790,000 shares of the Company, respectively.

(c) The Capital Group Companies, Inc. was deemed to have a beneficial interest in 56,776,751 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 holds 45,749,000, 10,719,300 and 308,451 shares of the Company, respectively.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and short positions in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, 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.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises one non-executive director and two 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, 6 July 2004

Report of the Auditors

ERNST & YOUNG
安永會計師事務所

NEXIA INTERNATIONAL
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 68 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 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 Society of 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 2004 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, 6 July 2004

Consolidated Profit and Loss Account

Year ended 31 March 2004

	Notes	2004 HK$'000	2003 HK$'000 (Restated)
TURNOVER	*5*	**2,028,920**	1,818,333
Cost of sales		**(1,474,572)**	(1,306,433)
Gross profit		**554,348**	511,900
Other revenue and gains	*5*	**23,656**	16,426
Distribution costs		**(55,926)**	(46,571)
Administrative and selling expenses		**(178,821)**	(171,918)
Other operating expenses		**(6,640)**	(4,418)
PROFIT FROM OPERATING ACTIVITIES	*6*	**336,617**	305,419
Finance costs	*9*	**(5,551)**	(6,119)
Share of profits and losses of associates		**9,122**	9,736
PROFIT BEFORE TAX		**340,188**	309,036
Tax	*10*	**(55,204)**	(44,794)
PROFIT BEFORE MINORITY INTERESTS		**284,984**	264,242
Minority interests		**(20,242)**	(20,711)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	*11*	**264,742**	243,531
DIVIDENDS	*12*		
Interim		**54,341**	54,341
Proposed final		**114,401**	108,681
		168,742	163,022
EARNINGS PER SHARE	*13*		
Basic		**46.3 cents**	42.6 cents

Consolidated Balance Sheet

31 March 2004

	Notes	2004 HK$'000	2003 HK$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	*14*	**957,329**	830,866
Long term investments	*15*	**6,825**	5,666
Properties under construction	*16*	**41,291**	46,399
Interests in associates	*18*	**137,557**	137,022
Deferred tax assets	*25*	**2,387**	2,384
		1,145,389	1,022,337
CURRENT ASSETS			
Due from associates	*19*	**58,139**	43,548
Inventories	*20*	**400,998**	309,455
Accounts receivable	*21*	**407,144**	386,330
Prepayments, deposits and other receivables		**27,842**	13,211
Cash and cash equivalents	*22*	**437,375**	384,825
		1,331,498	1,137,369
CURRENT LIABILITIES			
Accounts payable	*23*	**87,174**	66,567
Tax payable		**43,769**	31,226
Other payables and accrued liabilities		**97,092**	76,949
Interest-bearing bank loans	*24*	**110,887**	94,615
		338,922	269,357
NET CURRENT ASSETS		**992,576**	868,012
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,137,965**	1,890,349
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*24*	**230,000**	90,000
Deferred tax liabilities	*25*	**16,628**	14,179
		246,628	104,179
MINORITY INTERESTS		**151,478**	148,031
		1,739,859	1,638,139

	Notes	2004 HK$'000	2003 HK$'000
			(Restated)
CAPITAL AND RESERVES			
Issued capital	*26*	**57,200**	57,200
Reserves	*27(a)*	**1,568,258**	1,472,258
Proposed final dividend	*12*	**114,401**	108,681
		1,739,859	1,638,139

Yam Cheong Hung
Director

Yum Chak Ming, Matthew
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2004

	Notes	Issued share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve (note 27 (a)(iii)) HK$'000	Legal reserves (note 27 (a)(ii)) HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2002:									
As previously reported		57,200	590,690	966	104,289	56,534	646,980	108,681	1,565,340
Prior year adjustment:									
SSAP 12 – restatement									
of deferred tax	25	–	–	–	–	–	(7,710)	–	(7,710)
As restated		57,200	590,690	966	104,289	56,534	639,270	108,681	1,557,630
Final 2002 dividend declared		–	–	–	–	–	–	(108,681)	(108,681)
Appropriation of retained									
profits to legal reserves		–	–	–	–	832	(832)	–	–
Net profit for the year									
(as restated)		–	–	–	–	–	243,531	–	243,531
Interim 2003 dividend	12	–	–	–	–	–	(54,341)	–	(54,341)
Proposed final 2003 dividend	12	–	–	–	–	–	(108,681)	108,681	–
At 31 March 2003		57,200	590,690	966	104,289	57,366	718,947	108,681	1,638,139
At 1 April 2003:									
As previously reported		57,200	590,690	966	104,289	57,366	727,652	108,681	1,646,844
Prior year adjustment:									
SSAP 12 – restatement									
of deferred tax	25	–	–	–	–	–	(8,705)	–	(8,705)
As restated		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		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$1,568,258,000 (2003 (restated): HK$1,472,258,000) in the consolidated balance sheet.

	Issued share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve (note 27 (a)(iii)) HK$'000	Legal reserves (note 27 (a)(ii)) HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
Reserves retained by:								
Company and subsidiaries	57,200	590,690	966	104,289	58,752	801,733	114,401	1,728,031
Associates	–	–	–	–	–	11,828	–	11,828
31 March 2004	57,200	590,690	966	104,289	58,752	813,561	114,401	1,739,859
Company and subsidiaries	57,200	590,690	966	104,289	57,366	700,138	108,681	1,619,330
Associates	–	–	–	–	–	18,809	–	18,809
31 March 2003	57,200	590,690	966	104,289	57,366	718,947	108,681	1,638,139

Consolidated Cash Flow Statement

Year ended 31 March 2004

	Notes	2004 HK$'000	2003 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**340,188**	309,036
Adjustments for:			
Interest income	5	**(9,924)**	(9,435)
Finance costs	9	**5,551**	6,119
Share of profits and losses of associates		**(9,122)**	(9,736)
Impairment of an unlisted investment	6	**–**	7
Depreciation	6	**70,629**	64,885
Loss on disposal of fixed assets	6	**481**	911
Unrealised gains on listed investments	5	**(1,159)**	–
Dividend income from listed equity investments	5	**(258)**	(258)
Operating profit before working capital changes		**396,386**	361,529
Increase in amounts due from associates		**(14,591)**	(23,103)
Increase in inventories		**(91,543)**	(38,866)
Increase in accounts receivable		**(20,814)**	(59,978)
Decrease/(increase) in prepayments, deposits and other receivables		**(14,631)**	9,644
Increase in accounts payable		**20,607**	25,758
Increase/(decrease) in other payables and accrued liabilities		**20,143**	(3,542)
Increase/(decrease) in trust receipt loans		**(13,011)**	10,695
Cash generated from operations		**282,546**	282,137
Hong Kong profits tax paid		**(11,814)**	(19,734)
Mainland China tax paid		**(27,850)**	(13,937)
Net cash inflow from operating activities		**242,882**	248,466
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**9,924**	9,435
Dividend received from listed equity investments		**258**	258
Dividend received from associates		**8,036**	8,008
Purchases of fixed assets	14	**(135,352)**	(77,625)
Additions to properties under construction	16	**(57,980)**	(47,101)
Repayment from minority interests		**–**	2,830
Proceeds from disposal of fixed assets		**867**	1,466
Net cash outflow from investing activities		**(174,247)**	(102,729)

	Note	2004 HK$'000	2003 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(5,551)**	(6,119)
Dividends paid		**(163,022)**	(163,022)
Dividends paid to minority interests		**(20,755)**	(10,378)
New bank loans		**241,000**	50,000
Repayment of bank loans		**(71,717)**	(30,000)
Contributions from minority interests		**3,960**	–
Net cash outflow from financing activities		**(16,085)**	(159,519)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**52,550**	(13,782)
Cash and cash equivalents at beginning of year		**384,825**	398,607
CASH AND CASH EQUIVALENTS AT END OF YEAR		**437,375**	384,825
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**145,331**	69,016
Time deposits with original maturity of less than three months when acquired	*22*	**292,044**	315,809
		437,375	384,825

Balance Sheet

31 March 2004

	Notes	2004 HK$'000	2003 HK$'000
NON-CURRENT ASSETS			
Fixed assets	*14*	**13,362**	14,202
Long term investments	*15*	**802**	802
Interests in subsidiaries	*17*	**546,621**	348,047
Interests in associates	*18*	**118,213**	118,213
Deferred tax assets	*25*	**120**	–
		679,118	481,264
CURRENT ASSETS			
Due from associates	*19*	**9,679**	–
Prepayments, deposits and other receivables		**270**	677
Cash and cash equivalents	*22*	**114,643**	316,521
		124,592	317,198
CURRENT LIABILITIES			
Due to an associate	*19*	**–**	2,234
Tax payable		**46**	36
Other payables and accrued liabilities		**4,124**	3,965
		4,170	6,235
NET CURRENT ASSETS		**120,422**	310,963
TOTAL ASSETS LESS CURRENT LIABILITIES		**799,540**	792,227
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*25*	**–**	(121)
		799,540	792,106
CAPITAL AND RESERVES			
Issued capital	*26*	**57,200**	57,200
Reserves	*27(b)*	**627,939**	626,225
Proposed final dividend	*12*	**114,401**	108,681
		799,540	792,106

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

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements, which prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward or unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- Deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

- A deferred tax asset has been recognised in respect of provision for doubtful debts, provision for long service payments and accrued paid leave carried forward.

Disclosures:

- Deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were disclosed on a net basis; and

- the related note disclosures are now more extensive than previously required. These disclosures are presented in note 10 and note 25 to the financial statements and include a reconciliation between accounting profit and the tax expense for the year.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") (continued)

Further details of these changes and the prior year adjustment arising from them are included in the accounting policy for deferred tax in note 3 and note 25 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2004. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates 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.

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 or 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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	2.5–5% 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.

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

Securities which are intended to be held on a continuing strategic or long term purpose are classified as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long term investments (continued)

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Securities which are not classified as investment securities are classified as other investments. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual basis. Unlisted securities are stated at their estimated fair values on an individual basis. 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 between 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 rate of interest applicable; and

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments (continued)

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.

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 the initial recognition of an asset or liability 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 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 the initial recognition of an asset or liability 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 Mainland 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 in 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 "others" segment, which principally comprises the Group's investment in associates.

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		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
												(Restated)
Segment revenue:												
Sales to external customers	1,304,781	1,112,078	251,929	267,608	472,210	438,647	–	–	–	–	2,028,920	1,818,333
Intersegment sales	4,977	1,777	465,532	410,885	93,510	71,011	–	–	(564,019)	(483,673)	–	–
Total	1,309,758	1,113,855	717,461	678,493	565,720	509,658	–	–	(564,019)	(483,673)	2,028,920	1,818,333
Segment results	273,610	239,099	44,937	34,964	27,370	41,063	–	–	(1,366)	286	344,551	315,412
Interest, dividend income and other gains											11,341	9,693
Corporate and unallocated expenses											(19,275)	(19,686)
Profit from operating activities											336,617	305,419
Finance costs											(5,551)	(6,119)
Share of profits and losses of associates	–	–	–	–	–	–	9,122	9,736	–	–	9,122	9,736
Profit before tax											340,188	309,036
Tax											(55,204)	(44,794)
Profit before minority interests											284,984	264,242
Minority interests											(20,242)	(20,711)
Net profit attributable to shareholders											264,742	243,531
Segment assets	1,103,759	903,334	376,878	299,670	670,661	549,670	–	–	(183,403)	(104,348)	1,967,895	1,648,326
Interests in associates	–	–	–	–	–	–	195,696	180,570	–	–	195,696	180,570
Unallocated assets	–	–	–	–	–	–	–	–	–	–	313,296	330,810
Total assets	1,103,759	903,334	376,878	299,670	670,661	549,670	195,696	180,570	(183,403)	(104,348)	2,476,887	2,159,706
Segment liabilities	227,693	145,038	24,189	18,493	106,858	80,915	–	–	(183,403)	(104,348)	175,337	140,098
Unallocated liabilities	–	–	–	–	–	–	–	–	–	–	410,213	233,438
Total liabilities	227,693	145,038	24,189	18,493	106,858	80,915	–	–	(183,403)	(104,348)	585,550	373,536
Other segment information:												
Depreciation and amortisation	48,066	44,836	234	282	22,049	19,406	280	361	–	–	70,629	64,885
Capital expenditure	107,850	29,410	965	19,436	26,537	28,609	–	170	–	–	135,352	77,625
Provision for bad and doubtful debts	5,270	2,705	–	1,000	1,370	705	–	–	–	–	6,640	4,410

4. SEGMENT INFORMATION (continued)

(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	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)						(Restated)
Segment revenue:										
Sales to external customers	**1,078,846**	1,021,901	**435,688**	374,175	**281,139**	229,035	**233,247**	193,222	**2,028,920**	1,818,333
Other segment information:										
Segment assets	**513,912**	732,799	**1,846,303**	1,335,273	**53,468**	42,659	**63,204**	48,975	**2,476,887**	2,159,706
Capital expenditure	**1,215**	2,046	**134,137**	75,579	**—**	—	**—**	—	**135,352**	77,625

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents 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	
	2004	2003
	HK$'000	HK$'000
Turnover — sale of goods	**2,028,920**	1,818,333
Other revenue and gains:		
Dividend income from listed equity investments	**258**	258
Interest income	**9,924**	9,435
Unrealised gains on listed investments	**1,159**	—
Sundry income	**12,315**	6,733
	23,656	16,426
Total revenue	**2,052,576**	1,834,759

6. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2004	2003
	HK$'000	HK$'000
Depreciation	**70,629**	64,885
Auditors' remuneration	**1,679**	1,466
Staff costs (including directors' remuneration — note 7):		
Wages, salaries and other allowances	**281,911**	249,924
Retirement scheme contributions	**2,877**	2,914
Less: Forfeited contributions*	**(94)**	(534)
Net retirement scheme contributions	**2,783**	2,380
Total staff costs	**284,694**	252,304
Minimum lease payments under operating leases in respect of land and buildings	**3,998**	5,229
Provision for bad and doubtful debts	**6,640**	4,410
Loss on disposal of fixed assets	**481**	911
Impairment of an unlisted investment	**—**	7
Exchange gain, net	**(4,202)**	(1,724)

* At 31 March 2004, the Group had no forfeited contributions available to reduce its contributions to the retirement scheme in future years (2003 : 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:

	2004 HK$'000	2003 HK$'000
Fees:		
Executive directors	–	–
Non-executive directors*	270	281
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	12,979	14,311
Retirement scheme contributions	422	513
Discretionary bonuses paid and payable	13,940	13,661
	27,611	28,766

* Fees include HK$190,000 (2003 : 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 (2003 : Nil).

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

	Number of directors 2004	2003
Nil – HK$1,000,000	4	5
HK$3,000,001 – HK$3,500,000	1	–
HK$3,500,001 – HK$4,000,000	1	1
HK$5,500,001 – HK$6,000,000	–	1
HK$7,500,001 – HK$8,000,000	–	1
HK$8,500,001 – HK$9,000,000	1	–
HK$11,000,001 – HK$11,500,000	–	1
HK$11,500,001 – HK$12,000,000	1	–
	8	9

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 (2003: four) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining one (2003: one) non-director, highest paid employee for the year are as follows:

	2004 HK$'000	2003 HK$'000
Salaries, allowances and benefits in kind	**1,140**	1,140
Retirement scheme contributions	**46**	46
Discretionary bonuses paid and payable	**2,664**	1,819
	3,850	3,005

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

	Number of employees	
	2004	2003
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
	1	1

9. FINANCE COSTS

	Group	
	2004 HK$'000	2003 HK$'000
Interest on bank loans	**5,551**	6,119

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. 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.

10. TAX (continued)

	2004 HK$'000	2003 HK$'000 (Restated)
Group:		
Current — Hong Kong		
— Charge for the year	**21,244**	12,017
— Underprovision/(overprovision) in prior years	**(1,507)**	8,143
Current — Mainland China		
— Charge for the year	**32,470**	21,708
Deferred tax (note 25)	**2,446**	1,634
	54,653	43,502
Share of tax attributable to associates:		
Mainland China	**551**	1,292
Total tax charge for the year	**55,204**	44,794

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

	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

10. TAX (continued)

Group

	2003					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	69,050		239,986		309,036	
Tax at the statutory tax rate	11,048	16.0	79,195	33.0	90,243	29.2
Lower tax rate for local authority *	–	–	(37,491)	(15.6)	(37,491)	(12.1)
Profits not subject to tax, due to concessions **	–	–	(16,570)	(6.9)	(16,570)	(5.3)
Effect on deferred tax of increase in rates	236	0.3	349	0.2	585	0.2
Adjustment in respect of current tax of previous period	8,143	11.8	–	–	8,143	2.6
Income not subject to tax	(1,639)	(2.4)	(218)	(0.1)	(1,857)	(0.6)
Expenses not deductible for tax	385	0.6	316	0.1	701	0.2
Tax losses not recognised	1,040	1.5	–	–	1,040	0.3
Tax charge at the Group's effective rate	19,213	27.8	25,581	10.7	44,794	14.5

* 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 2004 dealt with in the financial statements of the Company is HK$170,456,000 (2003 : HK$127,070,000) (note 27(b)).

12. DIVIDENDS

	2004	2003
	HK$'000	HK$'000
Interim dividend of HK9.5 cents (2003: HK9.5 cents) per ordinary share	**54,341**	54,341
Proposed final dividend of HK20.0 cents (2003: HK19.0 cents) per ordinary share	**114,401**	108,681
	168,742	163,022

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$264,742,000 (2003 (restated): HK$243,531,000) and the weighted average of 572,006,798 (2003: 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 2004 and 2003 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	399,566	785,809	26,823	58,607	1,270,805
Additions	2,665	126,332	3,338	3,017	135,352
Transfer from properties under construction (note 16)	63,088	—	—	—	63,088
Disposals	—	(1,099)	(2,379)	(1,789)	(5,267)
At 31 March 2004	465,319	911,042	27,782	59,835	1,463,978
Accumulated depreciation:					
At beginning of year	59,255	330,735	18,584	31,365	439,939
Provided during the year	10,780	51,306	2,736	5,807	70,629
Disposals	—	(703)	(1,666)	(1,550)	(3,919)
At 31 March 2004	70,035	381,338	19,654	35,622	506,649
Net book value:					
At 31 March 2004	395,284	529,704	8,128	24,213	957,329
At 31 March 2003	340,311	455,074	8,239	27,242	830,866

Certain leasehold land and buildings of the Group's subsidiaries with a total net book value of HK$55,146,000 (2003: HK$56,209,000) have been pledged to a bank to secure a short term banking facility (note 24).

14. FIXED ASSETS (continued)

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

	2004	2003
	HK$'000	HK$'000
Hong Kong — medium term leases	**107,119**	106,824
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	**98,497**	98,218
50 years from 30 March 2002	**72,697**	13,855
50 years from 2 December 2002 *	**19,427**	19,427
45 years from 1 December 2003	**6,337**	—
	465,319	399,566

* In the prior year, the Group acquired from independent third parties a land plot situated in Mainland China for a total consideration of HK$19,427,000 which had been fully settled by the Group as at 31 March 2004. The relevant process for accomplishing the Group's titles and interests in the land was still in progress as at 31 March 2004.

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	791	20,476
Disposals	–	–	(43)	(43)
At 31 March 2004	14,981	4,704	748	20,433
Accumulated depreciation:				
At beginning of year	1,748	3,878	648	6,274
Provided during the year	559	248	31	838
Disposals	–	–	(41)	(41)
At 31 March 2004	2,307	4,126	638	7,071
Net book value:				
At 31 March 2004	12,674	578	110	13,362
At 31 March 2003	13,233	826	143	14,202

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. LONG TERM INVESTMENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at fair value	**86**	86	**–**	–
Club debentures, at fair value	**1,362**	1,362	**802**	802
	1,448	1,448	**802**	802
Hong Kong listed equity investments, at market value	**5,377**	4,218	**–**	–
	6,825	5,666	**802**	802

16. PROPERTIES UNDER CONSTRUCTION

	Group	
	2004	2003
	HK$'000	HK$'000
At beginning of year	**46,399**	15,204
Additions	**57,980**	47,101
Transfer to fixed assets (note 14)	**(63,088)**	(15,906)
At 31 March	**41,291**	46,399

The properties under construction are located in Mainland China.

17. INTERESTS IN SUBSIDIARIES

	Company 2004 HK$'000	Company 2003 HK$'000
Unlisted shares, at cost	**120,813**	156,595
Due from subsidiaries	**487,710**	318,037
Due to subsidiaries	**(60,549)**	(125,232)
	547,974	349,400
Less: Provision against an amount due from a subsidiary	**(1,353)**	(1,353)
	546,621	348,047

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company 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 (Formerly Hung Hing Printing (Shenzhen) Company Limited) * §§	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 * §	Mainland China	US$15,000,000	–	56	Printing and manufacturing of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited * §	Mainland China	US$5,000,000	–	56	Production and colour printing of paper products

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hung Hing International Limited	British Virgin Islands	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 * §§	Mainland China	US$11,200,000	–	100	Printing and manufacturing of paper cartons
South Gain Paper Products Company Limited # §§	Mainland China	US$5,000,000	–	56	Not yet commenced operations
Sun Hing Paper (Shenzhen) Company Limited * §§	Mainland China	HK$30,000,000	–	100	Paper trading
Hung Hing Packaging (Wuxi) Company Limited * §§	Mainland China	US$24,000,000	100	–	Production and colour printing of paper products

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

The operations of the above subsidiaries are principally carried out in their respective place of incorporation or registration, except for Hung Hing International Limited, which operates in Mainland China.

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.

* The financial statements of these subsidiaries for the year ended 31 December 2003 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 2004 based on the audited financial statements for the year ended 31 December 2003 and their unaudited management accounts for the three months ended 31 March 2004.

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

18. INTERESTS IN ASSOCIATES

	Group 2004 HK$'000	Group 2003 HK$'000	Company 2004 HK$'000	Company 2003 HK$'000
Unlisted shares, at cost	**–**	–	**118,213**	118,213
Share of net assets other than goodwill	**137,557**	137,022	**–**	–
	137,557	137,022	**118,213**	118,213

The details of the Group's trade receivable and payable balances with associates are disclosed in note 19 to the financial statements.

Particulars of the associates are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group 2004	2003	Principal activity
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Corporate	Mainland China	**35**	35	Manufacturing of paper
Zhongshan Ren Hing Paper Manufacturing Company Limited	Corporate	Mainland China	**35**	35	Manufacturing of paper

The financial statements of the associates have a financial year ending 31 December. The consolidated financial statements are adjusted for material transactions between these associates and Group companies between 1 January and 31 March.

19. DUE FROM/TO ASSOCIATES

The Group's amounts due from associates are unsecured, bear interest at prime rate for balances due over one month (2003: prime rate for balances due over one month) and have no fixed terms of repayment.

The Company's amount due to an associate was unsecured, interest-free and was fully repaid during the year.

20. INVENTORIES

	Group 2004 HK$'000	2003 HK$'000
Raw materials	**327,886**	250,275
Work in progress	**31,203**	29,242
Finished goods	**41,909**	29,938
	400,998	309,455

As at 31 March 2004, there were no inventories stated at net realisable value (2003 : Nil).

21. ACCOUNTS RECEIVABLE

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

	Group 2004 HK$'000	2003 HK$'000
Within 30 days	**162,752**	148,999
Between 31 and 60 days	**125,840**	107,494
Between 61 and 90 days	**43,836**	57,986
Over 90 days	**74,716**	71,851
	407,144	386,330

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 to 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.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**145,331**	69,016	**7,022**	716
Time deposits	**292,044**	315,809	**107,621**	315,805
	437,375	384,825	**114,643**	316,521

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$244,391,000 (2003: HK$50,497,000). 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.

23. ACCOUNTS PAYABLE

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

	Group	
	2004	2003
	HK$'000	HK$'000
Within 30 days	**54,952**	42,745
Between 31 and 60 days	**25,352**	18,917
Between 61 and 90 days	**2,263**	2,595
Over 90 days	**4,607**	2,310
	87,174	66,567

24. INTEREST-BEARING BANK LOANS

	Group	
	2004	2003
	HK$'000	HK$'000
Bank loans:		
Secured	**–**	4,717
Unsecured	**322,792**	148,792
Trust receipt loans	**18,095**	31,106
	340,887	184,615
Short term bank loans and trust receipt loans repayable within one year	**100,887**	74,615
Long term bank loans repayable:		
Within one year	**10,000**	20,000
In the second year	**20,000**	20,000
In the third to fifth years, inclusive	**210,000**	70,000
	240,000	110,000
	340,887	184,615
Portion classified as current liabilities	**(110,887)**	(94,615)
Long term portion	**230,000**	90,000

As at 31 March 2004, a banking facility of HK$37,736,000 (2003 : HK$37,736,000) is secured by pledge of certain leasehold land and buildings of the Group's subsidiaries (note 14). The banking facility was not utilised as at balance sheet date (2003 : HK$4,717,000).

25. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is 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 2002:				
As previously reported	953	–	–	953
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	13,157	(2,112)	–	11,045
As restated	14,110	(2,112)	–	11,998
Deferred tax charged/(credited) to the profit and loss account during the year, including a charge of HK$873,000 due to the effect of change in tax rates (note 10)	3,904	(1,061)	(662)	2,181
At 31 March 2003	18,014	(3,173)	(662)	14,179
At 1 April 2003:				
As previously reported	1,043	–	–	1,043
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	16,971	(3,173)	(662)	13,136
As restated	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	19,611	(2,248)	(735)	16,628

25. 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 2002:				
As previously reported	–	–	–	–
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	679	(2,516)	–	(1,837)
As restated	679	(2,516)	–	(1,837)
Deferred tax charged/(credited) to the profit and loss account during the year, including a credit of HK$288,000 due to the effect of change in tax rates (note 10)	(591)	395	(351)	(547)
At 31 March 2003	88	(2,121)	(351)	(2,384)
At 1 April 2003:				
As previously reported	–	–	–	–
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	88	(2,121)	(351)	(2,384)
As restated	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	158	(2,028)	(517)	(2,387)

25. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of HK$9,345,000 (2003: HK$6,502,000) that are available indefinitely 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 2004, there is no unrecognised deferred tax liability (2003: 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.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax liability as at 31 March 2004 and 2003 by HK$15,585,000 and HK$13,136,000, respectively, and an increase in deferred tax asset as at 31 March 2004 and 2003 by HK$2,387,000 and HK$2,384,000, respectively. As a consequence, the consolidated net profits attributable to shareholders for the years ended 31 March 2004 and 2003 have been decreased by HK$1,872,000 and HK$995,000, respectively, and the consolidated retained profits at 1 April 2003 and 2002 have been decreased by HK$8,705,000 and HK$7,710,000, respectively, as detailed in the consolidated statement of changes in equity.

Deferred tax liabilities/(assets)

Company

	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 April 2002 and 2003	121	—	121
Deferred tax credited to the profit and loss account during the year	(29)	(212)	(241)
At 31 March 2004	92	(212)	(120)

26. SHARE CAPITAL

	2004 Number of shares	2003 Number of shares	2004 HK$'000	2003 HK$'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	**572,006,798**	572,006,798	**57,200**	57,200

27. 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.

(iii) 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 2003 and 31 March 2004. The amount of goodwill is stated at its cost.

27. RESERVES (continued)

(b) Company

	Note	Share premium account HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2002		590,690	966	70,521	662,177
Net profit for the year		–	–	127,070	127,070
Interim 2003 dividend	*12*	–	–	(54,341)	(54,341)
Proposed final 2003 dividend	*12*	–	–	(108,681)	(108,681)
At 31 March 2003 and 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		590,690	966	36,283	627,939

28. RELATED PARTY TRANSACTIONS

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

		Group	
	Notes	**2004 HK$'000**	2003 HK$'000
Sales to associates	*(i)*	**249,982**	141,866
Purchases from associates	*(i)*	**90,717**	42,308
Rentals paid to Perla City Investments Limited, a company beneficially owned by Mr. Yum Chak Ming, Matthew	*(ii)*	**480**	600
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)*	**2,552**	1,346

28. 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 19 to the financial statements.

29. CONTINGENT LIABILITIES

(a) The tax assessments for the year 1996/1997 to 2001/2002 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	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries	**–**	–	**712,520**	639,554
Amount of banking facilities with the Company's guarantees utilised by subsidiaries	**–**	–	**308,038**	166,243

30. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2004, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,118**	2,240	**480**	480
In the second to fifth years, inclusive	**6,416**	6,182	**–**	480
After five years	**50,372**	52,199	**–**	–
	59,906	60,621	**480**	960

31. COMMITMENTS

(a) Capital commitments

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the balance sheet date:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for:				
Land and buildings	**40,724**	31,092	**–**	–
Plant and machinery	**108,711**	73,195	**–**	–
Investments in subsidiaries in Mainland China	**–**	–	**104,188**	62,366
	149,435	104,287	**104,188**	62,366

31. 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	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Buying of RMB	**237,380**	–	**–**	–
Buying of EURO	**38,123**	–	**38,123**	–
Buying of USD	**134,395**	–	**134,395**	–
Selling of RMB	**405,032**	–	**307,391**	–
Selling of USD	**84,739**	–	**37,939**	–

The 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.

32. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 6 July 2004.

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