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**FORTITUDE**

ANNUAL REPORT 2005



**CHEONG MING INVESTMENTS LIMITED**

(Incorporated in Bermuda with limited liability)

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**BOARD OF DIRECTORS**

Lui Chi (*Chairman*)  
 Lui Shing Ming, Brian (*Managing Director*)  
 Lui Shing Cheong  
 Lui Shing Chung, Victor  
 Lung Wai Kee  
 Lam Chun Kong\*  
 Lo Wing Man\*  
 Ng Lai Man, Carmen\*

\* *Independent Non-executive Directors*

**COMPANY SECRETARY**

Lung Wai Kee, *CMA, CPA, ACA*

**SOLICITORS**

Jennifer Cheung & Co.  
 Unit A, 19th Floor  
 Two Chinachem Plaza  
 68 Connaught Road Central  
 Hong Kong

**AUDITORS**

Grant Thornton  
*Certified Public Accountants*  
 13th Floor, Gloucester Tower  
 The Landmark  
 11 Pedder Street  
 Central  
 Hong Kong

**PRINCIPAL BANKERS**

Standard Chartered Bank (Hong Kong) Limited  
 617-623 Nathan Road  
 Mongkok  
 Kowloon  
 Hong Kong

Hang Seng Bank Limited  
 83 Des Voeux Road Central  
 Hong Kong

Bank of China (Hong Kong) Limited  
 201 Castle Peak Road  
 Tsuen Wan  
 New Territories  
 Hong Kong

The Bank of East Asia, Limited  
 10 Des Voeux Road Central  
 Hong Kong

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Butterfield Fund Services (Bermuda) Limited  
 Rosebank Centre  
 11 Bermudiana Road  
 Pembroke  
 Bermuda

**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tengis Limited  
 Ground Floor  
 Bank of East Asia Harbour View Centre  
 56 Gloucester Road  
 Wanchai  
 Hong Kong

**HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Unit 2608, Level 26  
 Tower II, Metroplaza  
 223 Hing Fong Road  
 Kwai Fong, New Territories  
 Hong Kong

**REGISTERED OFFICE**

Clarendon House  
 2 Church Street  
 Hamilton HM 11  
 Bermuda

*On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005.*

## RESULTS

The Group reported a total turnover of approximately HK\$502.2 million and a profit attributable to shareholders of approximately HK\$34.9 million for the year ended 31 March 2005. Basic earnings per share was HK7.19 cents, based on the weighted average of 485,147,842 ordinary shares in issue during the year.

## DIVIDENDS

The Board of Directors recommend the payment of a final dividend of HK3 cents per share for the year ended 31 March 2005 to all shareholders whose names appear on the register of members of the Company on 9 September 2005. This, together with the interim dividend of HK1 cent per share already paid on 4 February 2005, will bring the total dividend for the year to HK4 cents per share.

## BUSINESS REVIEW

For the year under review, the Group reported a total turnover of approximately HK\$502.2 million and a net profit attributable to shareholders of approximately HK\$34.9 million, which represented an increase of about 12.6% to the total turnover and a decrease of about 10.7% to the net profit attributable to shareholders of the corresponding year ended 31 March 2004. For the year ended 31 March 2004, the total turnover and net profit attributable to shareholders of the Group was approximately HK\$446.1 million and HK\$39.1 million respectively.

Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children novelty books continued to be the Group's major business. For the year under review, the Group recorded a total turnover of about HK\$383.4 million from this major business category, which represented an increase of about 8.4% over that of the previous year of about HK\$353.6 million and was about 76.3% of the Group's total turnover for the year ended 31 March 2005. Like many other manufacturers in the southern China, the Group has also experienced the problems of temporary labor supply, power shortage, rising fuel prices, higher material costs, increased minimum wages and more tightly regulated PRC customs policies during the year under review. The resulting higher operating costs, together with the pricing pressure from competition and the provision for doubtful debts, have to certain extents affect the performance of this major business category of the Group for the year ended 31 March 2005. During the year under review, in order to achieve more market penetration, especially in the exploration and development of the overseas markets for the innovative children novelty books, the Group has adopted an aggressive pricing policy and proactive marketing strategy.

For the year ended 31 March 2005, the Group achieved an encouraging growth in turnover for both the manufacture of hangtags, labels, shirt paper boards and plastic bags as well as commercial printing. For the year under review, the turnover for the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK\$51.3 million, which was about 10.2% of the Group's total turnover and represented a significant growth of about 40.8% over that of last year. The Group's commercial printing has also benefited from the improved investment market sentiment as compared to that of last year which has once been hard hit in the early year during the severe acute respiratory syndrome outbreak. For the year ended 31 March 2005, the turnover of the Group's commercial printing was approximately HK\$67.5 million, which was about 13.5% of the Group's total turnover and represented an increase of about 20.5% from that of the year ended 31 March 2004. Both the manufacture of hangtags, labels, shirt paper boards and plastic bags as well as commercial printing have made a satisfactory contribution towards the performance of the Group for the year under review.

For the year under review, the administrative and other operating expenses have increased by about 25.8%. The increase was mainly attributable to the recruitment of more marketing and supporting teams to deal with the growth in the Group's total business of about 12.6% over the year and partly due to the operating difficulties that the Group has faced for its major business in the printing and manufacture of packaging boxes and children novelty books as explained above. For the year ended 31 March 2005, the administrative and other operating expenses amounted to about HK\$81.3 million and represented about 16.2% of the Group's total turnover, whilst the same expenses for the year ended 31 March 2004 amounted to about HK\$64.6 million and represented about 14.5% of that year's total turnover of the Group. With the Group's determination to further enhance its operation efficiency, strengthen its staff proficiency and tighten its internal controls, it is expected that the situation will be improved for the coming year. The Group has also seen an increase of about 12.1% in its selling and distribution costs, which was in line with the percentage increase of about 12.6% in the Group's total turnover over the year.

The Group's printing business continued to provide positive and steady contributions both in terms of operating profit and cashflow. For the year under review, out of the net profit attributable to shareholders of about HK\$34.9 million after finance costs and taxation charges, about HK\$4.3 million was write backs of revaluation deficit on the Group's leasehold land and buildings and investment properties no longer required as a result of the recovery of the property markets in Hong Kong. Had such write backs been excluded, the net operating profit of the Group's overall printing business after finance costs and taxation charges for the year ended 31 March 2005 would have been at approximately HK\$30.6 million. Last year, the Group reported a net profit attributable to shareholders of about HK\$39.1 million after finance costs and taxation charges and with write backs of revaluation deficit of about HK\$6.0 million on the Group's leasehold land and buildings and investment properties no longer required. Had such write backs been excluded, the net operating profit of the Group's overall printing business after finance costs and taxation charges for the year ended 31 March 2004 would have been at approximately HK\$33.1 million as compared to that of the year under review at approximately HK\$30.6 million.

The continued commitment to use advanced technology and machinery has well positioned the Group as one of the leading printers in the industry. During the year under review, the Group spent about HK\$20.8 million (2004: HK\$25.0 million) in plant and machinery. The expenditure mainly included a brand new five-colour sheet-fed offset press and various supplementary machines.

In early January 2004, the Group acquired the whole 26th Floor, total twelve units, of the Metroplaza, Tower II, in Kwai Fong, as its head office and principal place of business for approximately HK\$30.4 million, including stamp duties and legal fees. The purchase was completed in mid March 2004. In early May 2004, four units out of the twelve units, being more than needed by the Group, were disposed of for about HK\$16.6 million. The sale was completed in mid July 2004. The remaining units held by the Group were revalued at about HK\$27 million as at 31 March 2005.

Seeking geographic diversification and growth opportunity in the printing industry has always been one of the Group's strategies. In late March 2005, the Group entered into an agreement with one of its overseas customers to team up together and set up a production base in Shanghai to manufacture labels and hangtags. The production base is still in the set up stage and is expected to be in operation in the third quarter of the calendar year 2005. Once established, the production base will be one of the subsidiaries of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. The Group is financially sound and its cash position remains strong. As at 31 March 2005, the Group has available aggregate banking facilities of approximately HK\$40.9 million which were secured by legal charges on certain properties owned by the Group. The Group's cash and bank balances and short term bank deposits as at 31 March 2005 amounted to approximately HK\$91.9 million. The Group's gearing ratio as at 31 March 2005 was 6.9% (31 March 2004: 6.6%), basing on the short term and long term interest bearing bank borrowings of HK\$25.3 million (31 March 2004: HK\$22.4 million) and the shareholders fund of HK\$368.9 million (31 March 2004: HK\$338.0 million).

## PROSPECTS

The Group will continue its endeavour to enhance its productivity and cost competitiveness in order to strengthen customer loyalty and broaden customer base. The Group's effort in recent years to explore and develop the overseas markets, especially in the innovative children novelty books, have shown its result. Not only is the Group's business from the manufacture of the children novelty books for the overseas markets on an encouraging rise, the Group has also progressively developed the necessary know-how and built up solid manufacturing teams to meet the demands of various customers for innovative design and delicate workmanship. With the Group's new production base in Shanghai soon in operation, it is anticipated that the Group's customer base will be further expanded by its being capable of supplying quality products to the eastern and northern China markets as well, which are areas with huge growth potential.

Pricing pressure due to industry competition will sustain. The recent revaluation of Renminbi will also add fuel to the rising operating costs. To cope with these challenges, every effort will be made by the Group to further enhance its production flexibility and operational efficiency, reinforce its workforce proficiency, widen its product range and focus on high margin products. Leveraged on its solid foundation and its being abreast of advanced technology, together with the improved global market sentiment, the Group is cautiously optimistic towards its business performance amidst the various challenges for the year to come.

## EXCHANGE RATE EXPOSURE

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 March 2005, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars, Renminbi and US dollars were relatively stable and no hedging for foreign currency transactions has been carried out.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2005, the Group had an available workforce of 3,600, of which 3,400 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

## CONTINGENT LIABILITIES AND CHARGES ON ASSETS

As at 31 March 2005, corporate guarantee amounting to HK\$89.9 million were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK\$43.8 million.

## PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2005.

## 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 of Hong Kong Limited throughout the year under review, save that the independent non-executive directors have not been 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 Bye-laws.

## APPRECIATION

On behalf of the Board of Directors, I would like to thank all our staff for their dedication and contribution and our customers, suppliers, business associates and shareholders for their continuous support.

By Order of the Board

**Lui Chi**

*Chairman*

Hong Kong, 26 July 2005

## EXECUTIVE DIRECTORS

Mr. Lui Chi, aged 84, is the founder of the Group and Chairman of the Company. Mr. Lui is responsible for the Group's overall corporate policy and strategy. He has more than 40 years of experience in the paper trading, printing and packaging businesses and has been instrumental in the corporate development of the Group since its establishment.

Mr. Lui Shing Ming, Brian, aged 45, is responsible for the corporate planning, development and management of the Group. He holds a Master Degree in Commerce from the University of New South Wales, Australia, and is a fellow member of the CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui is a son of Mr. Lui Chi. He is currently an independent non-executive director of Four Seas Food Investment Holdings Limited, a company whose shares are listed on the Stock Exchange.

Mr. Lui Shing Cheong, aged 52, has overall responsibility for the management information system, special project development and the China operations of the Group. Mr. Lui has more than 18 years of experience in the electronic and the telecommunication industries. Prior to joining the Group in June 1994, he worked for an international telecommunications company in Canada as a product technology engineer for 12 years. Mr. Lui holds a Bachelor Degree in Electrical Engineering and a Bachelor Degree in Chemical Engineering from the University of Wisconsin, USA. He is a son of Mr. Lui Chi.

Mr. Lui Shing Chung, Victor, aged 42, has overall responsibility for the operational system of the Group. Prior to joining the Group in June 1993, he worked for an international telecommunications company in Canada for 6 years. Mr. Lui holds a Bachelor Degree in Computer & Electrical Engineering from the University of Wisconsin, USA. He is a son of Mr. Lui Chi.

Mr. Lung Wai Kee, aged 49, is responsible for overseeing the finance and accounting functions as well as participation in the business development of the Group. Mr. Lung is an associate member of the Institute of Chartered Accountants in England and Wales, an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Society of Management Accountants of Ontario. Mr. Lung has more than 20 years of working experience in the auditing, taxation and accounting field, both in Hong Kong and Canada. He joined the Group in September 1996.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Chun Kong, aged 53, is the Managing Director of Nature & Technologies (HK) Limited which is engaged in the provision of environmental and energy management solution services. Dr. Lam has more than 25 years of experience in environmental and thermal power engineering work. He holds a Doctorate Degree from the University of Queensland, Australia and a Master Degree from the University of Manchester Institute of Science & Technology, the United Kingdom in Mechanical Engineering. Dr. Lam is a fellow member of the Hong Kong Institute of Engineers and the Hong Kong Institute of Acoustics, a Corporate Member of the Institute of Mechanical Engineers, the United Kingdom, the Institute of Acoustics, the United Kingdom and Registered Environmental Auditor of the Institute of Environmental Management & Assessment, the United Kingdom. Dr. Lam is currently an independent non-executive director of Linfair Holdings Limited, a company whose shares are listed on the Stock Exchange.

Mr. Lo Wing Man, aged 51, is the Managing Director of Chun Ming Engineering Co., Ltd. licensed as a Registered Lift and Escalator Contractor. Mr. Lo holds a Bachelor of Science Degree from the University of Wisconsin, USA. He is also the Chairman of the Board of Directors of Chun Ming Elevators (China) Ltd., which runs an elevator services operation in Zhuhai, China.

Dr. Ng Lai Man, Carmen, aged 40, is a practising accountant in Hong Kong, and is currently the Director of Cachet Certified Public Accountants Limited. Dr. Ng holds a Doctorate Degree of Business Administration and a Master Degree of Professional Accounting, both from The Hong Kong Polytechnic University. Dr. Ng is a fellow member of both the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Dr. Ng is currently an independent non-executive director of Matsunichi Communication Holdings Limited, a company whose shares are listed on the Stock Exchange.

### SENIOR MANAGEMENT

Mr. Yuen Hung, aged 71, is the General Manager and a Director of Chun Ming Printing Factory Company Limited. He has more than 40 years of experience in the printing industry. He joined the Group in 1965.

Mr. Ng Wing Tim, aged 60, is a Senior Manager of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 30 years of experience in the plastic bag and printing business.

Mr. Lui Kai Wa, aged 45, is the Operation Director of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 12 years of experience in the printing and paper products industry.

Mr. Tong Tak Ming, aged 45, is the Senior Production Manager of the Group's Dalingshan factory in Dongguan, the PRC. He has more than 12 years of experience in the book printing and paper products industry.

**SENIOR MANAGEMENT (Continued)**

Miss Ng Shuk Fong, Aman, aged 40, is the Administration and Personnel Manager of the Group. She holds a Bachelor of Social Sciences Degree and a Bachelor of Arts Degree from the University of Ottawa, Canada. She joined the Group in 1993. Miss Ng Shuk Fong, Aman is the spouse of Mr. Lui Shing Chung, Victor, the executive director of the Company.

Mr. Man Kwok Wai, Comeics, aged 36, is the Senior Accounting Manager of the Group. He holds a Master Degree of Professional Accounting from The Hong Kong Polytechnic University, and is an associate member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Man joined the Group in October 2000.

Mr. Li Chun Sing, aged 48, is the Operation Director of Capital Financial Press Limited. Mr. Li has more than 16 years of experience in the financial printing industry. He holds an electrical engineering diploma and printing, publishing and typesetting diploma. Prior to joining the Group in 1998, he worked in one of the leading financial printing companies in Hong Kong for 8 years.

Mr. Yuen Wai Kin, Roger, aged 40, is the General Manager of Chun Ming Printing Factory Company Limited. He holds a Bachelor of Arts Degree from Carleton University, Canada, and joined the Group in 1993.

Mr. Lai Yan Yee, Alan, aged 44, is a Sales and Marketing Manager of the Group. He has more than 10 years of experience in the book printing and paper products industry. He joined the Group in 1998.

Ms. Cheung Bik Chun, aged 42, is a Customer Service Manager of the Group. She has more than 10 years of experience in the printing industry and joined the Group in 1993.

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

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 15(a) to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### **RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31 March 2005 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 22 to 66.

An interim dividend of HK1 cent per ordinary share, amounting to an aggregate of HK\$4,867,000 was paid in the form of cash during the year. The directors recommend the payment of a final dividend of HK3 cents per ordinary share in respect of the year ended 31 March 2005 to all shareholders whose names appear on the register of members of the Company on 9 September 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

## SUMMARY FINANCIAL INFORMATION

The following is a summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years:

### RESULTS

	Year ended 31 March				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	(Restated) HK\$'000	(Restated) HK\$'000	HK\$'000
<b>TURNOVER</b>					
Continuing operations	502,183	446,082	377,514	287,798	301,909
Discontinued operations	–	–	–	–	346
	<b>502,183</b>	<b>446,082</b>	<b>377,514</b>	<b>287,798</b>	<b>302,255</b>
<b>PROFIT/(LOSS) FROM OPERATIONS</b>					
Continuing operations	38,715	43,891	(2,843)	17,751	19,094
Discontinued operations	–	–	–	–	(17,001)
	<b>38,715</b>	<b>43,891</b>	<b>(2,843)</b>	<b>17,751</b>	<b>2,093</b>
Finance costs	(638)	(155)	(259)	(625)	(1,912)
Share of profit of a jointly-controlled entity	–	–	–	–	26
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>38,077</b>	<b>43,736</b>	<b>(3,102)</b>	<b>17,126</b>	<b>207</b>
Taxation	(3,175)	(4,640)	(2,102)	(4,036)	1,038
<b>PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>	<b>34,902</b>	<b>39,096</b>	<b>(5,204)</b>	<b>13,090</b>	<b>1,245</b>
Minority interests	–	–	–	344	183
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>34,902</b>	<b>39,096</b>	<b>(5,204)</b>	<b>13,434</b>	<b>1,428</b>

**SUMMARY FINANCIAL INFORMATION (Continued)****ASSETS, LIABILITIES AND MINORITY INTERESTS**

	<b>As at 31 March</b>				
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>(Restated)</b> <b>HK\$'000</b>	<b>(Restated)</b> <b>HK\$'000</b>	<b>HK\$'000</b>
PROPERTY, PLANT AND EQUIPMENT	<b>222,109</b>	213,522	171,391	181,861	202,315
INVESTMENT PROPERTIES	<b>16,462</b>	13,950	9,980	13,740	11,800
GOODWILL	<b>211</b>	316	421	527	–
OTHER INVESTMENTS	–	–	–	–	142,794
NOTE RECEIVABLE	–	–	–	15,500	–
LONG TERM DEPOSITS	–	–	–	–	2,552
DEPOSITS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT	–	–	3,837	–	–
CURRENT ASSETS	<b>284,300</b>	230,708	185,371	164,634	158,908
<b>TOTAL ASSETS</b>	<b>523,082</b>	458,496	371,000	376,262	518,369
CURRENT LIABILITIES	<b>135,825</b>	97,590	74,384	66,802	72,148
INTEREST-BEARING BORROWINGS	<b>12,000</b>	17,120	–	–	4,940
DEFERRED TAX	<b>6,386</b>	5,826	6,897	7,971	736
<b>TOTAL LIABILITIES</b>	<b>154,211</b>	120,536	81,281	74,773	77,824
MINORITY INTERESTS	–	–	–	–	1,017
<b>NET ASSETS</b>	<b>368,871</b>	337,960	289,719	301,489	439,528

The respective amounts of (loss)/profit for the year attributable to shareholders, total assets, total liabilities and total net assets at 31 March 2003 and 2002 were restated to reflect the change in accounting policy arising from the adoption of SSAP 12 (Revised) "Income taxes".

**PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

Details of movements in property, plant and equipment and investment properties of the Group are set out in notes 12 and 13, respectively, to the financial statements. Further details of the Group's investment properties are set out on pages 67 and 68.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in notes 22 and 23, respectively, to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## 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 of the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$133,517,000 as computed in accordance with the Companies Act 1981 of Bermuda (as amended), of which HK\$14,601,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, with a balance of HK\$66,765,000 as at 31 March 2005, may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of turnover attributable to the Group's five largest customers represented 30% of the Group's total turnover. The amount of sales to the Group's largest customer represented 12% of the Group's total turnover.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 37% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 13% of the Group's total purchases.

None of the directors of the Company nor any of their associates nor any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) or had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

## **DIRECTORS**

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

### **Executive directors:**

Mr. Lui Chi  
Mr. Lui Shing Ming, Brian  
Mr. Lui Shing Cheong  
Mr. Lui Shing Chung, Victor  
Mr. Lung Wai Kee

### **Independent non-executive directors:**

Dr. Lam Chun Kong  
Mr. Lo Wing Man  
Dr. Ng Lai Man, Carmen (appointed on 17 September 2004)

Dr. Lam Chun Kong and Dr. Ng Lai Man, Carmen will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with bye-law 87 and bye-law 86(2) of the Company's Bye-laws respectively.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

## **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**

No director had a material interest 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.

## **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance "SFO") as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

### (i) Directors' interests in shares

#### (A) Long position in the shares of the Company

Name of director	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	Total interests as % of the issued share capital
Mr. Lui Chi	-	237,803,029 (Note 1)	237,803,029 (Note 1)	237,803,029	48.86%
Mr. Lui Shing Ming, Brian	4,375,000	-	237,803,029 (Note 2)	242,178,029	49.76%
Mr. Lui Shing Cheong	3,125,000	-	237,803,029 (Note 2)	240,928,029	49.50%
Mr. Lui Shing Chung, Victor	3,125,000	625,000 (Note 3)	237,803,029 (Note 2)	241,553,029	49.63%
Mr. Lung Wai Kee	1,250,000	2,500,000 (Note 4)	-	3,750,000	0.77%

Notes:

- (1) Mr. Lui Chi is interested in 237,803,029 shares of the Company by virtue of (i) his being a founder of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor, Lui Shing Cheong and other family members of Mr. Lui Chi; and (ii) his spouse is also a founder of the discretionary trust.
- (2) The 237,803,029 shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming Brian) of The Lui Unit Trust are held by Trident Corporate Services (B.V.I.) Limited (formerly known as "Ansbacher (BVI) Limited") as trustee of a discretionary trust, the discretionary objects of which have been disclosed in Note (1) above. Mr. Lui Chi and his spouse, Madam Ng Sze Mui are the founders of the discretionary trust. Each of Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong further owns approximately as to 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.
- (3) The 625,000 shares are owned by the spouse of Mr. Lui Shing Chung, Victor.
- (4) The 2,500,000 shares are owned by the spouse of Mr. Lung Wai Kee.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)**

**(i) Directors' interests in shares (Continued)**

**(A) Long position in the shares of the Company (Continued)**

All the interests stated above represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives. Interests of the respective directors set out in this subsection (A) need to be aggregated with their interests in the underlying shares through share options or equity derivatives of the Company set out in subsection (B) below in order to give the total interests of the respective directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirement.

**(B) Long position in the underlying shares of the Company through share options or equity derivatives**

Share options are granted to the directors under the Share Option Scheme adopted by the Company on 27 December 1996 (the "Old Scheme"). Details of the share options outstanding as at 31 March 2005 under the Old Scheme are as follows:

Name of director	Nature of interest	Number of share options held	Date of grant of share options	Exercise price of share options HK\$	Exercisable period
Mr. Lui Shing Chung, Victor	Family (Note)	625,000	31 December 1999	0.2240	31 December 1999 to 26 December 2006

Note: 625,000 share options are owned by the spouse of Mr. Lui Shing Chung, Victor.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)**

**(i) Directors' interests in shares (Continued)**

**(B) Long position in the underlying shares of the Company through share options or equity derivatives (Continued)**

The share options are exercisable up to 26 December 2006 and were granted at nil cash consideration. The above share option price and the corresponding number of share options held by the above director was adjusted as a result of a bonus issue on 31 August 2001.

Save as disclosed herein, as at 31 March 2005, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register 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.

**(ii) Directors' rights to acquire shares or debentures**

Save as disclosed herein, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their associates to acquire such rights in the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company:

Name of shareholder	Long/short position	Capacity	Number of ordinary shares/ underlying shares held	Percentage of issued capital
Madam Ng Sze Mui	Long	Founder of a discretionary trust	237,803,029 (Note 1)	48.86%
Madam Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	242,178,029 (Note 2)	49.76%
Harmony Link Corporation	Long	Beneficial owner	237,803,029	48.86%
The Lui Family Company Limited	Long	Trustee	237,803,029 (Note 3)	48.86%
Trident Corporate Services (B.V.I.) Limited (formerly known as "Ansbacher (BVI) Limited")	Long	Trustee	237,803,029 (Note 3)	48.86%

*Notes:*

- (1) Interests in these shares represent interests held by Madam Ng Sze Mui by virtue of her being a founder of a discretionary trust which has interests in 237,803,029 shares, details of the trust have also been disclosed in Note (1) under the section "Directors' interests in shares – Long position in the shares of the Company" above.
- (2) Interests in these shares include interests in 625,000 shares and options to subscribe for 625,000 shares both held by Madam Ng Shuk Fong, Aman personally and interests in 240,928,029 shares through interest of her spouse, Mr. Lui Shing Chung, Victor as disclosed in Note (2) under the section "Directors' interest in shares - Long position in the shares of the Company" above.

### **SUBSTANTIAL SHAREHOLDERS (Continued)**

- (3) The two references to 237,803,029 shares relate to the same block of shares in the Company. Each of The Lui Family Company Limited as trustee of The Lui Unit Trust and Trident Corporate Services (B.V.I.) Limited (formerly known as “Ansbacher (BVI) Limited”) as trustee of a discretionary trust is taken to have a duty of disclosure in relation to the interests of Harmony Link Corporation in the said shares of the Company as described in Note (2) under the section “Directors’ interests in shares – Long position in the shares of the Company” above.

Save as disclosed herein, as at 31 March 2005, the Company has not been notified by any other person or corporation, other than the directors of the Company whose interests are set out above, as having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **PARTICULARS OF DIRECTORS OF THE COMPANY WHO WERE DIRECTORS/ EMPLOYEES OF SUBSTANTIAL SHAREHOLDERS**

Messrs. Lui Chi, Lui Shing Ming Brian, Lui Shing Cheong and Lui Shing Chung Victor are directors of Harmony Link Corporation and The Lui Family Company Limited.

### **SHARE OPTION SCHEMES**

On 5 September 2002, the Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted. As at 31 March 2005, the number of shares in respect of which share options had been granted and outstanding under the Old Scheme was 1,125,000 and no share options had been granted under the New Scheme.

Details of the Company’s share option schemes are stated in note 23 to the financial statements.

The financial impact of share options granted is not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding share options.

### **DIRECTORS’ INTERESTS IN COMPETING BUSINESSES**

None of the directors, the management shareholders of the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the independent non-executive directors 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 Bye-laws.

## AUDIT COMMITTEE

The Company has an audit committee ( the "Committee" ) which was established in accordance with the requirements of the Code and with reference to the "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants in December 1997. The Committee comprises three independent non-executive directors, namely Dr. Ng Lai Man Carmen, Dr. Lam Chun Kong and Mr. Lo Wing Man. The principal duties of the Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Company for the year ended 31 March 2005.

## AUDITORS

Grant Thornton were appointed as auditors of the Company on 15 December 2003 to fill the casual vacancy arising from the resignation of Ernst & Young. There has been no other change of auditors in the last three years.

Grant Thornton retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

FOR AND ON BEHALF OF THE BOARD

**Lui Chi**

*Chairman*

Hong Kong

26 July 2005

**Certified Public Accountants**  
Member of  
Grant Thornton International

**Grant Thornton**   
**均富會計師行**

**To the members of Cheong Ming Investments Limited**

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 22 to 66 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**BASIS OF OPINION**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Grant Thornton**  
*Certified Public Accountants*  
Hong Kong

26 July 2005

# 22 Consolidated Income Statement

For the year ended 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
<b>Turnover</b>	4	<b>502,183</b>	446,082
Cost of sales		<b>(371,295)</b>	(329,414)
Gross profit		<b>130,888</b>	116,668
Other revenue	5	<b>10,598</b>	10,994
Selling and distribution costs		<b>(21,499)</b>	(19,183)
Administrative expenses		<b>(79,378)</b>	(64,526)
Other operating expenses		<b>(1,894)</b>	(62)
<b>Profit from operations</b>	6	<b>38,715</b>	43,891
Finance costs	7	<b>(638)</b>	(155)
<b>Profit before taxation</b>		<b>38,077</b>	43,736
Taxation	8	<b>(3,175)</b>	(4,640)
<b>Profit for the year attributable to shareholders</b>	9	<b>34,902</b>	39,096
<b>Dividends</b>	10	<b>19,599</b>	19,293
		<b>HK cent</b>	HK cent
<b>Earnings per share</b>	11		
– Basic		<b>7.19</b>	8.82
– Diluted		<b>7.18</b>	8.79

As at 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	222,109	213,522
Investment properties	13	16,462	13,950
Goodwill	14	211	316
		<b>238,782</b>	<b>227,788</b>
<b>Current assets</b>			
Inventories	16	45,849	42,480
Trade and bills receivables	17	100,815	88,585
Prepayments, deposits and other receivables		6,849	5,586
Tax recoverable		977	–
Other investments	18	37,921	4,304
Cash and cash equivalents	19	91,889	89,753
		<b>284,300</b>	<b>230,708</b>
<b>Current liabilities</b>			
Trade payables	20	68,814	61,059
Accrued liabilities and other payables		37,229	15,572
Tax payable		16,503	15,645
Interest-bearing borrowings	21	13,279	5,314
		<b>135,825</b>	<b>97,590</b>
<b>Net current assets</b>		<b>148,475</b>	<b>133,118</b>

# 24 Consolidated Balance Sheet

As at 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
<b>Total assets less current liabilities</b>		<b>387,257</b>	360,906
<b>Non-current liabilities</b>			
Interest-bearing borrowings	21	12,000	17,120
Deferred tax	25	6,386	5,826
		<b>18,386</b>	22,946
<b>Net assets</b>		<b>368,871</b>	337,960
<b>CAPITAL AND RESERVES</b>			
Share capital	22	48,671	48,233
Reserves	24	305,599	275,257
Proposed dividend	10	14,601	14,470
<b>Shareholders' funds</b>		<b>368,871</b>	337,960

**Lui Shing Ming, Brian**  
*Director*

**Lung Wai Kee**  
*Director*

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	15(a)	116,995	116,995
<b>Current assets</b>			
Amounts due from subsidiaries	15(b)	134,881	131,685
Prepayments, deposits and other receivables		195	163
Cash and bank balances	19	350	4,638
		<b>135,426</b>	136,486
<b>Current liabilities</b>			
Amount due to a subsidiary	15(b)	2,317	2,324
Accrued liabilities and other payables		1,151	830
		<b>3,468</b>	3,154
<b>Net current assets</b>		<b>131,958</b>	133,332
<b>Total assets less current liabilities</b>		<b>248,953</b>	250,327
<b>CAPITAL AND RESERVES</b>			
Share capital	22	48,671	48,233
Reserves	24	185,681	187,624
Proposed dividend	10	14,601	14,470
<b>Shareholders' funds</b>		<b>248,953</b>	250,327

Lui Shing Ming, Brian  
*Director*

Lung Wai Kee  
*Director*

# 26 Consolidated Cash Flow Statement

For the year ended 31 March 2005

<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	38,077	43,736
Adjustments for :		
Interest expense	638	155
Interest income	(2,083)	(1,316)
Dividend income from listed investments	(46)	(110)
Gain on disposal of listed investments	(308)	(488)
Gain on disposal of unlisted investments	(193)	(109)
Gain on disposal of property, plant and equipment	(65)	(22)
Net unrealised loss on other investments	183	62
Depreciation	27,448	25,149
Amortisation of goodwill	105	105
Revaluation surplus on leasehold land and buildings	(1,765)	(2,821)
Revaluation surplus on investment properties	(2,512)	(3,206)
Provision for doubtful debts on trade receivables	1,408	–
Provision for doubtful debts on other receivables	1,711	–
Operating profit before working capital changes	62,598	61,135
Increase in inventories	(3,369)	(10,909)
Increase in trade and bills receivables	(13,638)	(2,077)
Increase in prepayments, deposits and other receivables	(2,974)	(2,588)
(Increase)/Decrease in other investments	(33,299)	2,848
Increase in trade payables	7,755	13,786
Increase in accrued liabilities and other payables	21,657	1,661
Cash generated from operations	38,730	63,856
Interest received	2,083	1,316
Interest paid	(638)	(155)
Dividend income from listed investments	46	110
Dividends paid	(19,468)	(13,469)
Income tax paid	(5,216)	(1,992)
<b>Net cash generated from operating activities</b>	<b>15,537</b>	<b>49,666</b>

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(34,068)	(57,463)
Purchases of investment properties		–	(764)
Withdrawal/(Placement) of bank deposits		930	(5,934)
Proceeds from disposal of property, plant and equipment		16,529	666
<b>Net cash used in investing activities</b>		<b>(16,609)</b>	<b>(63,495)</b>
<b>Cash flows from financing activities</b>			
(Decrease)/Increase in trust receipt loans		(1,822)	1,822
Proceeds from placement of new shares	22(a)	–	17,855
Proceeds from issuance of ordinary shares through exercise of share options	22(b)	1,293	–
Repayment of bank loan		(5,600)	–
Borrowing of bank loan		9,510	20,000
<b>Net cash generated from financing activities</b>		<b>3,381</b>	<b>39,677</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,309</b>	<b>25,848</b>
Cash and cash equivalents at beginning of year		82,541	56,693
<b>Cash and cash equivalents at end of year</b>		<b>84,850</b>	<b>82,541</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash in hand, bank balances, and time deposits with original maturity of less than three months			
	19	84,853	78,054
Cash placed at a securities brokerage firm			
	19	1,366	1,199
Time deposits with original maturity of more than three months			
	19	5,670	6,600
Short-term currency note			
	19	–	3,900
Less: Time deposits with original maturity of more than three months			
		(5,670)	(6,600)
Bank overdrafts, secured			
	21	(1,369)	(612)
		<b>84,850</b>	<b>82,541</b>

# 28 Consolidated Statement of Changes in Equity

For the year ended 31 March 2005

	Notes	Reserves							Proposed dividend	Total
		Share capital	Share premium account	Contributed surplus	Asset revaluation reserve	Goodwill reserve	Retained profits	Sub-total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2003		43,233	53,055	34,080	18,059	(1,408)	134,054	237,840	8,646	289,719
Placement of new shares		5,000	12,855	-	-	-	-	12,855	-	17,855
Revaluation surplus on										
leasehold land and buildings		-	-	-	3,803	-	-	3,803	-	3,803
Deferred tax credit		-	-	-	956	-	-	956	-	956
Net profit for the year		-	-	-	-	-	39,096	39,096	-	39,096
Final 2003 dividend paid		-	-	-	-	-	-	-	(8,646)	(8,646)
Interim 2004 dividend paid	10	-	-	-	-	-	(4,823)	(4,823)	-	(4,823)
Proposed final 2004 dividend	10	-	-	-	-	-	(9,647)	(9,647)	9,647	-
Proposed special 2004 dividend	10	-	-	-	-	-	(4,823)	(4,823)	4,823	-
At 31 March 2004 and										
1 April 2004		48,233	65,910	34,080	22,818	(1,408)	153,857	275,257	14,470	337,960
Exercise of share options		438	855	-	-	-	-	855	-	1,293
Reserve realised on disposal of										
leasehold land and buildings		-	-	-	(3,126)	-	3,126	-	-	-
Revaluation surplus on										
leasehold land and buildings		-	-	-	16,666	-	-	16,666	-	16,666
Deferred tax charge		-	-	-	(2,482)	-	-	(2,482)	-	(2,482)
Net profit for the year		-	-	-	-	-	34,902	34,902	-	34,902
Final and special 2004										
dividend paid		-	-	-	-	-	(131)	(131)	(14,470)	(14,601)
Interim 2005 dividend paid	10	-	-	-	-	-	(4,867)	(4,867)	-	(4,867)
Proposed final 2005 dividend	10	-	-	-	-	-	(14,601)	(14,601)	14,601	-
At 31 March 2005		48,671	66,765	34,080	33,876	(1,408)	172,286	305,599	14,601	368,871

## 1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal place of business of the Company is located at Unit 2608, Level 26, Tower II, Metroplaza, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the following activities:

- manufacture and sale of paper cartons, packaging boxes and children’s novelty books
- manufacture and sale of hangtags, labels and shirt paper boards and plastic bags
- commercial printing

Details of the principal activities of the principal subsidiaries are set out in note 15(a) to the financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### (a) Basis of preparation

The financial statements on pages 22 to 66 are prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain leasehold land and buildings, investment properties and other investments.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

### (d) Goodwill

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

In respect of subsidiaries, goodwill is amortised to the consolidated income statement on a straight line basis over its estimated useful life of not exceeding 20 years. Goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

SSAP 30 "Business combinations" was adopted by the Group for its accounting period beginning 1 April 2001. Prior to that date, 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 SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisition subsequent to 1 April 2001 is accounted for in accordance with the 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 consolidated 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) Property, plant and equipment

#### (i) Depreciation

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

Medium term leasehold land and buildings outside Hong Kong	Over the lease terms
Medium term leasehold land in Hong Kong	Over the lease terms
Medium term leasehold buildings in Hong Kong	4%
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%

#### (ii) Measurement bases

Property, plant and equipment other than investment properties are stated at cost or revalued amounts on an open market value basis or depreciated replacement cost basis, as appropriate, based on professional valuation performed by qualified valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The depreciated replacement cost approach is based on an estimate of the market value of the land in its existing use and an estimate of the new replacement costs of buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Any surplus arising on revaluation of property, plant and equipment other than investment properties is credited to revaluation reserve. A decrease in net carrying amount arising on revaluation is charged to the income statement to the extent that this exceeds the surplus, if any, held in revaluation reserve relating to the previous revaluation of the same item of assets. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) Property, plant and equipment (Continued)

#### (ii) Measurement bases (Continued)

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits.

### (f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of the investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to recover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the income statement.

### (g) Operating leases

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

### (h) Other investments

Investments in debt and equity securities which are not intended to be held for an identified long term purpose are stated in the balance sheet at fair values. Fair values are determined on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair values of such investments are credited or charged to the income statement in the period in which they arise.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is calculated as the actual or estimated selling prices less all further costs of completion and the estimated costs necessary to make the sale.

### (j) Impairment

The carrying amounts of the Group's non-current assets and the Company's investments in subsidiaries are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

#### (i) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### (ii) *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (k) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. For the purpose of the balance sheet, cash and cash equivalents include term deposits, and assets similar in nature to cash, which are not restricted as to use.

### (l) Trade receivables

Trade receivables, which generally have credit terms of 30 to 90 days, are recognised and carried at original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### (m) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (n) Income tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (n) Income tax (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (o) Employee benefits

#### (i) Bonus plans

Provisions for bonus due wholly within twelve months after the balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

#### (ii) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Hong Kong Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme, except for the Group's employer voluntary contributions with a vesting period of five years, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Hong Kong Scheme.

Pursuant to the relevant regulations of the government of the People's Republic of China (the "PRC"), a subsidiary of the Company operating in the PRC participates in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the subsidiary is required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to the income statement as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (o) Employee benefits (Continued)

#### (iii) Equity compensation benefits

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding share options.

### (p) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and the income statements of these foreign subsidiaries are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movements in reserves.

The gain or loss on a speculative forward contract is the foreign currency amount of the contract multiplied by the difference between the forward rate for the balance of the contract at the balance sheet date and either the contracted forward rate or the forward rate used at an intervening balance sheet date. The gain or loss is charged to the income statement.

### (q) 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 Bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (r) Recognition of revenue

Revenue from the sale of goods is recognised when goods are delivered and title has passed.

Revenue from rendering of services is recognised when the relevant services are rendered.

Interest income is recognised on a time proportion basis by reference to the principal outstanding and the rate applicable.

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term.

Dividend income is recognised when the Group's right as a shareholder to receive payment is established.

### (s) 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.

### (t) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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

In determining the Group's geographical segments, revenues and results 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.

### 3. SEGMENT INFORMATION (Continued)

#### (a) Business segments

The following tables present revenue, profit and asset, liability and expenditure information for the Group's business segments.

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	383,364	353,620	51,297	36,422	67,522	56,040	-	-	502,183	446,082
Intersegment sales	9,469	7,289	74	179	260	701	(9,803)	(8,169)	-	-
<b>Total</b>	<b>392,833</b>	<b>360,909</b>	<b>51,371</b>	<b>36,601</b>	<b>67,782</b>	<b>56,741</b>	<b>(9,803)</b>	<b>(8,169)</b>	<b>502,183</b>	<b>446,082</b>
<b>Segment results</b>	<b>18,023</b>	<b>31,580</b>	<b>10,042</b>	<b>3,749</b>	<b>8,567</b>	<b>7,262</b>	<b>-</b>	<b>-</b>	<b>36,632</b>	<b>42,591</b>
Interest income									2,083	1,316
Unallocated expenses									-	(16)
Profit from operations									38,715	43,891
Finance costs									(638)	(155)
Profit before taxation									38,077	43,736
Taxation									(3,175)	(4,640)
Profit attributable to shareholders									<b>34,902</b>	<b>39,096</b>

### 3. SEGMENT INFORMATION (Continued)

#### (a) Business segments (Continued)

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	477,567	415,903	23,105	21,825	22,410	20,768	-	-	523,082	458,496
Segment liabilities	128,166	102,333	12,304	6,639	13,741	11,564	-	-	154,211	120,536
Other segment information:										
Depreciation	22,617	20,154	3,710	3,167	1,121	1,828	-	-	27,448	25,149
Amortisation of goodwill	105	105	-	-	-	-	-	-	105	105
Capital expenditure	33,220	60,401	482	1,194	366	469	-	-	34,068	62,064
Revaluation surplus of leasehold land and buildings recognised in the income statement	(1,765)	(2,821)	-	-	-	-	-	-	(1,765)	(2,821)
Revaluation surplus of investment properties recognised in the income statement	(2,512)	(3,206)	-	-	-	-	-	-	(2,512)	(3,206)
Net unrealised loss on other investments	183	62	-	-	-	-	-	-	183	62
Other non-cash expenses	2,080	67	-	-	1,039	-	-	-	3,119	67

**3. SEGMENT INFORMATION (Continued)****(b) Geographical segments**

The following table presents revenue, asset and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	487,488	430,324	14,695	15,758	-	-	502,183	446,082
Other segment information:								
Segment assets	341,272	301,271	181,810	157,225	-	-	523,082	458,496
Capital expenditure	3,222	34,383	30,846	27,681	-	-	34,068	62,064

**4. TURNOVER**

Turnover represents the invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered during the year after eliminations of all significant intra-group transactions.

**5. OTHER REVENUE**

	2005	2004
	HK\$'000	HK\$'000
Recovery of bad debts	136	531
Exchange gain, net	27	284
Gross rental income from investment properties	1,781	1,779
Interest income	2,083	1,316
Dividend income from listed investments	46	110
Gain on disposal of listed investments	308	488
Gain on disposal of unlisted investments	193	109
Gain on disposal of property, plant and equipment	65	22
Surplus on revaluation of investment properties	2,512	3,206
Surplus on revaluation of leasehold land and buildings	1,765	2,821
Sundry income	1,682	328
	<b>10,598</b>	<b>10,994</b>

**6. PROFIT FROM OPERATIONS**

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

	2005 HK\$'000	2004 HK\$'000
Amortisation of goodwill	105	105
Auditors' remuneration	850	650
Cost of inventories sold	334,982	297,350
Cost of services rendered	36,313	32,064
Depreciation	27,448	25,149
Net unrealised loss on other investments	183	62
Operating lease charges on land and buildings	4,509	3,340
Provision for doubtful debts		
– trade receivables	1,408	–
– other receivables (note 32)	1,711	–
Staff costs (excluding directors' remuneration)		
Wages and salaries	75,448	60,639
Net pension scheme contributions	2,523	1,719
and crediting:		
Rental income from investment properties, net of outgoings	(1,437)	(1,264)

**7. FINANCE COSTS**

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest charges on overdrafts and other borrowings repayable within five years	408	155
Interest on bank loan not wholly repayable within five years	230	–
	638	155

**8. TAXATION**

The tax charge comprises:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax – Hong Kong:		
Tax for the year	4,854	3,082
Under provision in respect of prior years	430	757
Current tax – overseas:		
Tax for the year	716	916
Over provision in respect of prior years	(903)	–
Deferred tax		
Current year – tax credit (note 25)	(1,922)	(322)
Attributable to increase in tax rate (note 25)	–	207
	<b>3,175</b>	<b>4,640</b>

Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong is calculated at the rates of tax prevailing in the countries in which the Group operated during the year based on existing legislation, interpretations and practices in respect thereof.

Deferred tax is accounted for using the balance sheet liability method at the rate of 17.5% (2004: 17.5%).

**8. TAXATION (Continued)**

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

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>38,077</b>	43,736
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	<b>6,637</b>	8,158
Tax effect on non-deductible expense	<b>1,826</b>	878
Tax effect on non-taxable revenue	<b>(3,945)</b>	(3,879)
Tax effect of utilisation of tax losses not previously recognised	<b>(315)</b>	(1,061)
Tax effect on tax loss not recognised	<b>83</b>	312
Tax effect on taxable temporary differences not recognised	<b>(638)</b>	(525)
(Over)/Under provision in prior years	<b>(473)</b>	757
<b>Total taxation</b>	<b>3,175</b>	4,640

**9. PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2005 was HK\$16,801,000 (2004: HK\$18,880,000).

**10. DIVIDENDS**

	2005 HK\$'000	2004 HK\$'000
Interim dividend of HK1 cent per ordinary share (2004: HK1 cent)	4,867	4,823
Additional final and special dividends in respect of the previous year (2004: Nil)	131	–
Proposed final dividend of HK3 cents per ordinary share (2004: HK2 cents)	14,601	9,647
Proposed special dividend of Nil per ordinary share (2004: HK1 cent)	–	4,823
	<b>19,599</b>	<b>19,293</b>

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

**11. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the year of HK\$34,902,000 (2004: HK\$39,096,000) and the weighted average of 485,147,842 (2004: 443,289,965) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2005 was based on the Group's profit attributable to shareholders of HK\$34,902,000 (2004: HK\$39,096,000). The weighted average number of ordinary shares used in the calculation was 485,147,842 (2004: 443,289,965) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 902,637 (2004: 1,734,545) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

**12. PROPERTY, PLANT AND EQUIPMENT****Group**

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation</b>						
At 1 April 2004	115,760	202,963	23,492	13,530	6,413	362,158
Additions	7,906	20,759	2,942	1,129	1,332	34,068
Disposals	(16,450)	(114)	–	–	(511)	(17,075)
Accumulated depreciation eliminated on revaluation	(2,575)	–	–	–	–	(2,575)
Revaluation surplus						
– credit to the income statement	1,765	–	–	–	–	1,765
– dealt with in the revaluation reserve	16,666	–	–	–	–	16,666
<b>At 31 March 2005</b>	<b>123,072</b>	<b>223,608</b>	<b>26,434</b>	<b>14,659</b>	<b>7,234</b>	<b>395,007</b>
<b>Accumulated depreciation</b>						
At 1 April 2004	–	116,840	19,233	7,576	4,987	148,636
Charge for the year	2,693	19,925	2,134	1,944	752	27,448
Disposals	(118)	(63)	–	–	(430)	(611)
Elimination on revaluation	(2,575)	–	–	–	–	(2,575)
<b>At 31 March 2005</b>	<b>–</b>	<b>136,702</b>	<b>21,367</b>	<b>9,520</b>	<b>5,309</b>	<b>172,898</b>
<b>Net book value</b>						
<b>At 31 March 2005</b>	<b>123,072</b>	<b>86,906</b>	<b>5,067</b>	<b>5,139</b>	<b>1,925</b>	<b>222,109</b>
At 31 March 2004	115,760	86,123	4,259	5,954	1,426	213,522
At cost	1,074	223,608	26,434	14,659	7,234	273,009
At professional valuation	121,998	–	–	–	–	121,998
	123,072	223,608	26,434	14,659	7,234	395,007

**12. PROPERTY, PLANT AND EQUIPMENT (Continued)**

Land and buildings comprise:

	Group	
	2005 HK\$'000	2004 HK\$'000
Medium term leasehold land and buildings in Hong Kong	39,488	49,560
Medium term leasehold land and buildings outside Hong Kong	82,510	66,200
<b>Total valuation</b>	<b>121,998</b>	<b>115,760</b>

At the balance sheet date, the Group's leasehold land and buildings in Hong Kong were carried at their valuations as at 31 March 2005 performed by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent firm of professional valuers, on the basis of Open Market Value, at HK\$39,488,000. The resulting revaluation surplus amounting to HK\$1,765,000 and HK\$5,563,000 have been credited to the income statement and the asset revaluation reserve respectively.

At the balance sheet date, the Group's leasehold land and buildings outside Hong Kong were carried at their valuations as at 31 March 2005 performed by LCH, on the basis of Depreciated Replacement Cost, at HK\$82,510,000. The resulting revaluation surplus amounting to HK\$11,103,000 is recognised in the asset revaluation reserve.

Had the Group's land and buildings in Hong Kong been valued at cost less accumulated depreciation, their carrying amounts would have been restated at HK\$29,025,006 (2004: HK\$43,709,348).

Had the Group's land and buildings outside Hong Kong been valued at cost less accumulated depreciation, their carrying amounts would have been restated at HK\$57,144,320 (2004: HK\$50,683,479).

At the balance sheet date, certain of the Group's land and buildings amounting to HK\$36,340,000 (2004: HK\$46,790,000) were pledged to secure general banking facilities granted to the Group as further detailed in note 27 to the financial statements.

**13. INVESTMENT PROPERTIES**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At valuation		
At beginning of the year	<b>13,950</b>	9,980
Additions	–	764
Revaluation surplus	<b>2,512</b>	3,206
	<hr/>	
At end of the year	<b>16,462</b>	13,950

The Group's investment properties were revalued, on the basis of Open Market Value, at HK\$16,462,000 by LCH as at 31 March 2005. The resulting revaluation surplus amounting to HK\$2,512,000 was credited to the income statement.

The investment properties are leased to third parties under operating leases, further summary details of operating lease arrangements in respect of rental receivables are included in note 31(a) to the financial statements.

All of the Group's investment properties are situated in Hong Kong under medium term leases. Investment properties with a valuation of HK\$7,454,000 (2004: HK\$6,300,000) were pledged to secure general banking facilities granted to the Group as further detailed in note 27 to the financial statements.

Further particulars of the Group's investment properties are included on pages 67 and 68.

**14. GOODWILL**

The amount of goodwill capitalised as an asset as at 31 March 2005, arising from the acquisition of an additional equity interest in a subsidiary during the year ended 31 March 2002, which is amortised over 5 years, is as follows:

**Group**

	HK\$'000
Carrying value at 1 April 2004	316
Amortisation charge for the year	(105)
<b>Carrying value at 31 March 2005</b>	<b>211</b>
Gross amount at 31 March 2005	527
Accumulated amortisation	(316)
<b>Carrying value at 31 March 2005</b>	<b>211</b>
Gross amount at 31 March 2004	527
Accumulated amortisation	(211)
<b>Carrying value at 31 March 2004</b>	<b>316</b>

At 31 March 2005, the amount of goodwill, arising from the acquisition of subsidiaries which occurred prior to the Group's accounting period beginning 1 April 2001, remaining in consolidated reserves amounted to HK\$1,408,000 (2004: HK\$1,408,000).

**15. (a) INVESTMENTS IN SUBSIDIARIES**

	Company	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	116,995	116,995

**15. (a) INVESTMENTS IN SUBSIDIARIES (Continued)**

Particulars of the principal subsidiaries are as follows:

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Principal activities	Place of operations
			Direct	Indirect		
Cheong Ming (B.V.I.) Enterprises Limited	British Virgin Islands	HK\$10,000 Ordinary shares	100%	–	Investment holding	Hong Kong
CM Investment Enterprises Limited	British Virgin Islands	US\$1 Ordinary share	100%	–	Investment holding	Hong Kong
Capital Asset Management Limited	Hong Kong	HK\$2 Ordinary shares	–	100%	Property and investment holding	Hong Kong
Cheong Ming Press Factory Limited	Hong Kong	HK\$1,000 Ordinary shares HK\$1,000,000 *Non-voting deferred shares	–	100%	Manufacture and sale of paper cartons, children's novelty books and commercial printing	Hong Kong
Chun Ming Printing Factory Company Limited	Hong Kong	HK\$150,000 Ordinary shares	–	100%	Manufacture and sale of hangtags, labels and shirt paper boards	Hong Kong and PRC
Cheong Ming Paper, Poly Press & Printing Factory Limited	Hong Kong	HK\$1,000 Ordinary shares HK\$1,000,000 *Non-voting deferred shares	–	100%	Sub-contracting of the manufacture of paper cartons	PRC

**15. (a) INVESTMENTS IN SUBSIDIARIES (Continued)**

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

Name	Country/Place of incorporation/ registration	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Principal activities	Place of operations
			Direct	Indirect		
Dongguan Cheong Ming Printing Co., Ltd.	PRC	Registered capital of HK\$79,930,000 (2004: HK\$67,700,000)	-	100%	Sub-contracting of the manufacture of paper cartons and plastic bags	PRC
Capital Financial Press Limited	Hong Kong	HK\$800,000 Ordinary shares	-	100%	Commercial printing	Hong Kong
Capital Translation Services Limited	Hong Kong	HK\$500,000 Ordinary shares	-	100%	Provision of translation services	Hong Kong
32 Print.com Limited	Hong Kong	HK\$3,750,000 Ordinary shares	-	100%	Digital printing	Hong Kong
Harvest King Limited	Hong Kong	HK\$2 Ordinary shares	-	100%	Trading of hangtags, labels and shirt paper boards	Hong Kong
Aegina (B.V.I.) Limited	British Virgin Islands	US\$1 Ordinary share	-	100%	Investment holding	Hong Kong

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

**15. (a) INVESTMENTS IN SUBSIDIARIES (Continued)**

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

**15. (b) AMOUNTS DUE FROM SUBSIDIARIES/AMOUNT DUE TO A SUBSIDIARY**

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

**16. INVENTORIES**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Raw materials	32,160	31,568
Work in progress	6,786	6,086
Finished goods	6,903	4,826
	<b>45,849</b>	<b>42,480</b>

At the balance sheet date, no inventories were stated at net realisable value (2004: Nil).

**17. TRADE AND BILLS RECEIVABLES**

At 31 March 2005, the gross trade and bills receivables, net of provisions are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Bills receivable	3,504	1,117
Trade receivables	97,311	87,468
	<b>100,815</b>	<b>88,585</b>

At 31 March 2005, the aging analysis of the trade and bills receivables, based on invoiced date and net of provisions, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current to 30 days	38,684	34,933
31 to 60 days	21,828	25,520
61 to 90 days	24,168	11,545
Over 90 days	16,135	16,587
	<b>100,815</b>	<b>88,585</b>

**18. OTHER INVESTMENTS**

	Group	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong listed equity investments, at fair value	1,909	1,304
Overseas unlisted equity investments, at fair value	10,541	–
Overseas unlisted debt investments, at fair value	25,471	3,000
	<b>37,921</b>	<b>4,304</b>

**19. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash in hand, bank balances, and time deposits with original maturity of less than three months	<b>84,853</b>	78,054	<b>350</b>	4,638
Cash placed at a securities brokerage firm	<b>1,366</b>	1,199	–	–
Time deposits with original maturity of more than three months	<b>5,670</b>	6,600	–	–
Short-term currency note	–	3,900	–	–
<b>Cash and cash equivalents</b>	<b>91,889</b>	89,753	<b>350</b>	4,638

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$6,572,000 (2004: HK\$2,844,000). RMB is not freely convertible into other currencies, however, under PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

**20. TRADE PAYABLES**

At 31 March 2005, the aging analysis of the trade payables, based on invoiced date, is as follows:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current to 30 days	<b>32,706</b>	29,452
31 to 60 days	<b>9,416</b>	15,530
61 to 90 days	<b>13,161</b>	8,012
Over 90 days	<b>13,531</b>	8,065
	<b>68,814</b>	61,059

**21. INTEREST-BEARING BORROWINGS**

	<b>Group</b>	
	2005	2004
	HK\$'000	HK\$'000
Bank overdrafts, secured	1,369	612
Trust receipt loans, secured	–	1,822
Bank loans, secured	23,910	20,000
	<u>25,279</u>	<u>22,434</u>
	<b>Group</b>	
	2005	2004
	HK\$'000	HK\$'000
Bank loans repayable		
Within one year or on demand	11,910	2,880
In the second year	2,400	2,880
In the third to fifth years, inclusive	7,200	8,640
Over five years	2,400	5,600
Trust receipt loans and bank overdrafts repayable within one year or on demand	1,369	2,434
	<u>25,279</u>	<u>22,434</u>
Less: Current portion due within one year included under current liabilities	<u>(13,279)</u>	<u>(5,314)</u>
Non-current portion included under long-term liabilities	<u>12,000</u>	<u>17,120</u>

**22. SHARE CAPITAL**

	2005 HK\$'000	2004 HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.10 each	<b>80,000</b>	80,000
Issued and fully paid:		
486,706,061 (2004: 482,331,061) ordinary shares of HK\$0.10 each	<b>48,671</b>	48,233

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

	<i>Notes</i>	HK\$'000	Number of shares
At 1 April 2003		43,233	432,331,061
Placement of new shares	(a)	5,000	50,000,000
At 31 March 2004 and 1 April 2004		48,233	482,331,061
Exercise of share options	(b)	438	4,375,000
<b>At 31 March 2005</b>		<b>48,671</b>	<b>486,706,061</b>

*Note:*

- (a) On 29 December 2003, the Company entered into a subscription agreement with Harmony Link Corporation ("HLC"), the substantial shareholder of the Company, who has conditionally agreed to subscribe for 50,000,000 new shares of the Company at a price of HK\$0.37 per share after the completion of a placement by HLC, through an independent placing agent, of an aggregate of 50,000,000 ordinary shares in the Company to independent investors in cash at a price of HK\$0.37 per share. The subscription was subsequently completed on 12 January 2004. Net proceeds of about HK\$17,855,000 were used as general working capital of the Company.
- (b) The subscription rights attaching to 2,500,000 share options and 1,875,000 share options were exercised at the subscription price of HK\$0.3507 and HK\$0.224 per share respectively, resulting in the issue of 4,375,000 ordinary shares of HK\$0.10 each for a total consideration, after expenses, of HK\$1,293,000.

### 23. SHARE OPTION SCHEMES

The Company's share option scheme which was adopted on 27 December 1996 (the "Old Scheme") was terminated and replaced by a new share option scheme approved by the shareholders at the special general meeting of the Company held on 5 September 2002 (the "New Scheme"). Upon the termination of the Old Scheme, no further share options can be granted thereunder, but in all other respects, the provisions of the Old Scheme remained in force and all share options granted prior to such termination continued to be valid and exercisable in accordance therewith.

A summary of the Old Scheme and the New Scheme is set out below:

**(a) Old Scheme**

The Company operated a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old Scheme included any director or employee of the Company and its subsidiaries. The Old Scheme was adopted by the Company on 27 December 1996 and became effective upon its listing on the Stock Exchange on 20 January 1997 and, unless otherwise cancelled or amended, would have remained in force for 10 years from its date of adoption. As at 31 March 2005, there were 1,125,000 share options granted which remained outstanding under the Old Scheme.

**(b) New Scheme**

The New Scheme became effective for a period of 10 years commencing on 5 September 2002. Under the New Scheme, the directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the higher of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; or (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share. The offer of a grant of options may be accepted within 21 days from the date of the offer. The exercise period of the options granted is determinable by the directors, and commences after a certain vesting period and ends in any event not later than 10 years from the date of the offer on which the offer for grant of the option is made, subject to the provisions for early termination thereof.

The maximum number of securities to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the New Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the annual general meeting held on 5 September 2002.

No share options were granted under the New Scheme during the year.

### 23. SHARE OPTION SCHEMES (Continued)

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

The following share options are outstanding under the Old Scheme during the year.

Name or category of participant	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
	As at 1 April 2004	Cancelled during the year	Exercised during the year	Lapsed during the year	As at 31 March 2005				At grant date of options HK\$	At exercise date of options**** HK\$
<b>Directors</b>										
Lui Chi	1,250,000	-	(1,250,000)	-	-	30 October 1997	30 October 1997 to 26 December 2006	0.3507	0.5300	0.5000
	1,875,000	-	(1,875,000)	-	-	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	0.5000
	3,125,000	-	(3,125,000)	-	-					
Lui Shing Ming, Brian	1,250,000	-	(1,250,000)	-	-	30 October 1997	30 October 1997 to 26 December 2006	0.3507	0.5300	0.5000
	4,375,000	-	(4,375,000)	-	-					
<b>Other employees</b>										
In aggregate	625,000	-	-	-	625,000*	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	N/A
	7,500,000	-	-	(7,500,000)	-	6 March 2000	23 September 2000 to 26 December 2006	2.7744	5.600	N/A
	250,000	-	-	-	250,000	8 July 2000	8 January 2001 to 26 December 2006	1.0960	1.6500	N/A
	250,000	-	-	-	250,000	5 September 2000	5 September 2001 to 26 December 2006	1.4048	2.2000	N/A
	8,625,000	-	-	(7,500,000)	1,125,000					
	13,000,000	-	(4,375,000)	(7,500,000)	1,125,000					

**23. SHARE OPTION SCHEMES (Continued)***Notes:*

- \* The share options to subscribe for 625,000 ordinary shares at a price of HK\$0.224 per share in the Company which were granted to the spouse of Mr. Lui Shing Chung, Victor is included in the "Other employees" category above and remained outstanding as at 31 March 2005.
- \*\* The exercise price of the share options was adjusted for the one for four bonus issue in the issued share capital of the Company as approved by the ordinary resolution passed at the general meeting held on 31 August 2001. The adjusted exercise price is subject to further adjustment in the case of any future rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange's closing price of the Company as at the date of the grant of the share options.
- \*\*\*\* The price of the Company's shares disclosed as at the date of the exercise of the share options is the Stock Exchange's closing price of the Company as at the date of the exercise of the share options.

As at 31 March 2005, the Company had 1,125,000 share options outstanding under the Old Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,125,000 additional ordinary shares and cash proceeds to the Company of approximately HK\$765,000 before the related share issue expenses.

**24. RESERVES****Group**

	2005 HK\$'000	2004 HK\$'000
Share premium account	66,765	65,910
Contributed surplus	34,080	34,080
Asset revaluation reserve	33,876	22,818
Goodwill reserve	(1,408)	(1,408)
Retained profits	172,286	153,857
	305,599	275,257

The contributed surplus of the Group arose as a result of the Group reorganisation carried out on 24 December 1996 and represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

**24. RESERVES (Continued)****Company**

	<b>Share premium account HK\$'000</b>	<b>Contributed surplus HK\$'000</b>	<b>Retained profits HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2003	53,055	116,795	5,332	175,182
Placement of shares (note 22(a))	12,855	–	–	12,855
Net profit for the year	–	–	18,880	18,880
Interim dividend	–	–	(4,823)	(4,823)
Proposed final dividend	–	–	(9,647)	(9,647)
Proposed special dividend	–	–	(4,823)	(4,823)
At 31 March 2004 and 1 April 2004	65,910	116,795	4,919	187,624
Exercise of share options (note 22(b))	855	–	–	855
Net profit for the year	–	–	16,801	16,801
2004 final and special dividends proposed	–	–	14,470	14,470
2004 final and special dividend paid	–	–	(14,601)	(14,601)
Interim dividend	–	–	(4,867)	(4,867)
Proposed final dividend	–	–	(14,601)	(14,601)
<b>At 31 March 2005</b>	<b>66,765</b>	<b>116,795</b>	<b>2,121</b>	<b>185,681</b>

The contributed surplus of the Company arose as a result of the same Group reorganisation scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

**25. DEFERRED TAX**

The following are major deferred tax assets and liabilities recognised in the balance sheet and the movements during the current and prior periods:

**Group**

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Revaluation of properties HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
Balance at 1 April 2003	2,206	4,691	–	6,897
Credit to income for the year	(322)	–	–	(322)
Credit to equity for the year	–	(956)	–	(956)
Effect of change in tax rate – charge to income	207	–	–	207
Balance at 31 March 2004	2,091	3,735	–	5,826
Credit to income for the year	(922)	–	(1,000)	(1,922)
Charge to equity for the year	–	2,482	–	2,482
<b>Balance at 31 March 2005</b>	<b>1,169</b>	<b>6,217</b>	<b>(1,000)</b>	<b>6,386</b>

The net deferred tax asset was not recognised as at the balance sheet date in respect of tax losses of HK\$6,041,000 (2004: HK\$6,210,000) and general provisions of HK\$681,000 (2004: HK\$672,000) because the directors consider it appropriate not to recognise the benefit of any future tax relief since it is not probable that taxable profits will be available against which deductible temporary differences can be utilised.

In addition to the amount credited to the income statement, deferred tax relating to the revaluation of the Group's properties was charged directly to equity.

**26. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION****(a) Directors' remuneration**

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

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fees:		
Executive directors	–	–
Independent non-executive directors	265	210
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	7,900	9,162
Pension scheme contributions	514	443
	<b>8,679</b>	<b>9,815</b>

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

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>Number of directors</b>	<b>Number of directors</b>
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	3
HK\$1,500,001 – HK\$2,000,000	3	2
HK\$2,000,001 – HK\$2,500,000	1	1

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

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

**(b) Five highest paid employees**

The five highest paid employees during the year included five directors (2004: five), further details of whose remuneration are disclosed in note 26(a) to the financial statements.

**27. BANKING FACILITIES**

At the balance sheet date, the Group's banking facilities were secured by the following:

- (a) legal charges on certain of the Group's leasehold land and buildings (note 12);
- (b) legal charges on certain of the Group's investment properties (note 13); and
- (c) corporate guarantees from the Company (note 28).

**28. CONTINGENT LIABILITIES**

At 31 March 2005, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK\$89,900,000 (2004: HK\$79,900,000).

The amount of banking facilities utilised by the subsidiaries amounted to HK\$27,151,000 as at 31 March 2005 (2004: HK\$34,685,000).

At 31 March 2005, a bank executed a charge on one of the subsidiaries to secure all relevant liabilities which may be due to the bank as stipulated in the financial service agreements between the bank and the subsidiary.

**29. CAPITAL COMMITMENTS**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Acquisition of property, plant and equipment:		
Contracted for	2,923	12,940
Authorised, but not contracted for	–	–
Investment in a subsidiary in the PRC	4,800	17,030
	<b>7,723</b>	<b>29,970</b>

The Company did not have any significant capital commitments at the balance sheet date (2004: Nil).

**30. OTHER COMMITMENTS**

At 31 March 2005, the Group held a speculative forward exchange contract amounting to HK\$7,795,000 with a maturity date of 25 September 2006.

**31. OPERATING LEASE COMMITMENTS****(a) As lessor**

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2005, the Group had total future minimum lease receivables under non-cancellable operating leases are receivable as follows:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	1,578	1,255
In the second to fifth years, inclusive	918	420
	<b>2,496</b>	<b>1,675</b>

**(b) As lessee**

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

At 31 March 2005, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>Group</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Land and buildings</b>	<b>Other assets</b>	<b>Land and buildings</b>	<b>Other assets</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	2,651	135	2,788	–
In the second to fifth years, inclusive	2,980	1,333	2,967	–
After five years	9,064	–	8,533	–
	<b>14,695</b>	<b>1,468</b>	<b>14,288</b>	<b>–</b>

The Company did not have any significant operating lease commitments under non-cancellable operating leases at the balance sheet date (2004: Nil).

**32. LEGAL ACTION**

Subsequent to the balance sheet date the Group commenced action against a former employee of a subsidiary in the PRC. As at the balance sheet date the Group had a receivable arising from the recovery from that employee of certain funds amounting to HK\$1,711,000, which has been fully provided for in the financial statements.

**33. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

**34. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements on pages 22 to 66 were approved by the board of directors on 26 July 2005.

Location	Use	Tenure	Percentage of attributable interest of the Group
6B, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
6A, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
13B, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
9A-B, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
10A-B, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
2A, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
No. 4 Parking Space, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100

Location	Use	Tenure	Percentage of attributable interest of the Group
No. 1 Parking Space, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
No. 11 Parking Space, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100
No. 20 Parking Space, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium term lease	100



CHEONG MING INVESTMENTS LIMITED  
昌明投資有限公司



paper cartons

commercial printing

children's novelty books

shirt paper boards

packaging boxes

digital printing

hangtags

labels



# PAPER CARTONS & PACKAGING BOXES

## 瓦通紙盒及彩色包裝盒



# CHILDREN'S NOVELTY BOOKS 兒童趣味性圖書



# HANGTAGS & LABELS 籤條及標籤



# PAPER PRODUCTS

## 紙類製品



# COMMERCIAL PRINTING

## 商業印刷

