# CHEONG MING INVESTMENTS LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1196)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2013

### RESULTS

The directors of Cheong Ming Investments Limited (the "Company") are pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2013 together with the comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2013*

| | *Notes* | **2013** **HK$'000** | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **Revenue** | 4 | **429,701** | 503,780 |
| Cost of sales | | **(320,049)** | (390,118) |
| **Gross profit** | | **109,652** | 113,662 |
| Other operating income | 5 | **25,621** | 11,032 |
| Selling and distribution costs | | **(11,695)** | (12,924) |
| Administrative expenses | | **(96,870)** | (94,576) |
| Other operating expenses | | **(2,826)** | (24,856) |
| **Profit/(Loss) from operations** | 6 | **23,882** | (7,662) |
| Finance costs | 7 | **(614)** | (882) |
| Share of loss of associates | 13 | **–** | (56) |
| **Profit/(Loss) before income tax** | | **23,268** | (8,600) |
| Income tax expense | 8 | **(5,455)** | (3,464) |
| **Profit/(Loss) for the year attributable to the equity holders of the Company** | | **17,813** | (12,064) |
| **Earnings/(Loss) per share for profit/(loss) for the year attributable to the equity holders of the Company** | 10 | | |
| – Basic and diluted | | **HK2.80 cents** | (HK1.93 cents) |

Details of dividends attributable to the equity holders of the Company for the year are set out in note 9.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the year ended 31 March 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **Profit/(Loss) for the year** | | **17,813** | (12,064) |
| **Other comprehensive income:** | | | |
| Exchange gain on translation of financial statements of foreign operations | | **492** | 838 |
| Share of other comprehensive income of associates | 13 | **–** | 137 |
| Revaluation surplus on properties transferred from property, plant and equipment and prepaid lease payments to investment properties | | **–** | 43,370 |
| Deferred tax charge arising from revaluation surplus on properties transferred from property, plant and equipment and prepaid lease payments to investment properties | | **–** | (18,648) |
| Revaluation surplus on leasehold land and buildings | | **20,128** | 18,960 |
| Deferred tax charge arising from revaluation surplus on leasehold land and buildings | | **(3,438)** | (4,402) |
| **Other comprehensive income for the year, net of tax** | | **17,182** | 40,255 |
| **Total comprehensive income attributable to the equity holders of the Company** | | **34,995** | 28,191 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2013*

| | Notes | **As at 31 March 2013** HK$'000 | 2012 HK$'000 (Restated) | As at 1 April 2011 HK$'000 (Restated) |
|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **180,674** | 169,826 | 165,470 |
| Prepaid lease payments | | **2,727** | 2,810 | 13,703 |
| Investment properties | | **104,260** | 86,570 | 8,140 |
| Deposits paid for acquisition of property, plant and equipment | | **–** | – | 11,226 |
| Deposit paid for acquisition of an investment property | | **11,098** | – | 801 |
| Interest in associates | 13 | **–** | – | – |
| Other asset | | **1,100** | – | – |
| Deposits paid for investment in an associate | 13(a) | **–** | – | 28,000 |
| Deferred tax assets | | **251** | 233 | 94 |
| | | **300,110** | 259,439 | 227,434 |
| **Current assets** | | | | |
| Inventories | | **32,149** | 30,458 | 51,033 |
| Trade receivables | 11 | **80,771** | 93,324 | 76,158 |
| Amount due from an associate | 13(c) | **–** | 933 | – |
| Prepayments, deposits and other receivables | | **10,518** | 12,957 | 12,193 |
| Financial assets at fair value through profit or loss | 12 | **86,107** | 74,491 | 77,372 |
| Cash and cash equivalents | | **103,261** | 124,759 | 173,109 |
| Tax recoverable | | **1,192** | 791 | 323 |
| | | **313,998** | 337,713 | 390,188 |
| Non-current assets held for sale | 14 | **65,000** | 65,000 | – |
| | | **378,998** | 402,713 | 390,188 |

| | | As at 31 March | | As at 1 April |
|---|---|---|---|---|
| | | **2013** | 2012 | 2011 |
| | *Notes* | ***HK$'000*** | *HK$'000* | *HK$'000* |
| | | | (Restated) | (Restated) |
| **Current liabilities** | | | | |
| Trade payables | 15 | **48,020** | 58,820 | 67,207 |
| Accrued liabilities and other payables | | **36,297** | 32,467 | 31,359 |
| Financial liabilities of fair value through profit or loss | 12 | **550** | – | – |
| Interest-bearing borrowings | | **24,504** | 29,117 | 29,556 |
| Tax payable | | **7,678** | 7,548 | 10,735 |
| | | **117,049** | 127,952 | 138,857 |
| **Net current assets** | | **261,949** | 274,761 | 251,331 |
| **Total assets less current liabilities** | | **562,059** | 534,200 | 478,765 |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | | **39,368** | 33,797 | 9,748 |
| **Net assets** | | **522,691** | 500,403 | 469,017 |
| **EQUITY** | | | | |
| **Equity attributable to the equity holders of the Company** | | | | |
| Share capital | | **63,535** | 63,535 | 60,675 |
| Reserves | | **446,449** | 424,161 | 396,207 |
| Proposed dividend | 9 | **12,707** | 12,707 | 12,135 |
| **Total equity** | | **522,691** | 500,403 | 469,017 |

*Notes:*

1. **BASIS OF PREPARATION**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. **ADOPTION OF NEW OR AMENDED HKFRSs**

**Adoption of new or amended HKFRSs effective on or after 1 April 2012**

In the current year, the Group has applied, for the first time, the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2012.

| | |
|---|---|
| Amendments to HKFRS 7 | Financial Instruments: Disclosures – Transfers of Financial Assets |
| Amendments to HKAS 12 | Deferred Tax Recovery of Underlying Assets |

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

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

The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if an investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolio and concluded that the presumption in the amended HKAS 12 is not rebutted. As a result, the Group has re-measured the deferred tax of these investment properties located in the People's Republic of China (the "PRC") and in Hong Kong according to the tax consequence on the presumption that they are recovered entirely through sale.

This change in accounting policy has been applied retrospectively in accordance with the amendments to HKAS 12 and the comparative figures have been restated. Accordingly, a third statement of financial position as at 1 April 2011 has been presented. The effects of the adoption of the amendments to HKAS 12 on the financial statements are summarised below:

Effect on consolidated income statement and consolidated statement of comprehensive income:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Increase in income tax expense | **673** | 590 |
| (Decrease)/Increase in profit or loss for the year | **(673)** | (590) |
| Decrease in other comprehensive income for the year | **–** | (7,805) |
| (Decrease)/Increase in basic earnings/loss per share | | |
| – Basic and diluted | **(HK0.11 cents)** | HK0.09 cents |

Effect on consolidated statement of financial position:

| | **As at 31 March 2013** | As at 31 March 2012 | As at 1 April 2011 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Decrease in retained profits | **(1,289)** | (616) | (26) |
| Decrease in asset revaluation reserve | **(7,805)** | (7,805) | – |
| Increase in deferred tax liabilities | **9,094** | 8,421 | 26 |

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

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

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

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

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

*Annual improvements to HKFRSs 2009-2011 Cycle*

The Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs, which include:

*HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

*HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

*HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

*HKAS 34 Interim Financial Reporting*

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

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

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

*Amendments to HKAS 32 Presentation – Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The directors anticipate that the application of the amendments to HKAS32 and HKFRS 7 may affect the Group's disclosure regarding offsetting financial assets and financial liabilities in the future. The amendments will be applied retrospectively.

*HKFRS 9 – Financial Instruments*

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.The Group expects to adopt HKFRS 9 from 1 January 2015.

*HKFRS 10 – Consolidated Financial Statements*

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

*HKFRS 12 – Disclosure of Interests in Other Entities*

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

*HKFRS 13 – Fair Value Measurement*

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

Except for the above said, the Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs. The directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

## 3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major business lines.

The Group has identified the following reportable segments:

(a) the manufacture and sale of paper cartons, packaging boxes and children's novelty books segment produces paper cartons, packaging boxes and children's novelty books for sale principally to manufacturers and publishers of consumer products;

(b) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags segment produces hangtags, labels, shirt paper boards and plastic bags products for sale principally to manufacturers of consumer products; and

(c) the commercial printing segment provides financial printing, digital printing and other related services.

Each of these operating segments is managed separately as each of the business lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The executive directors assess segment reporting as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (expenses relating to finance costs, income tax and corporate income and expenses).

### 3.1 Business operating segments

The executive directors have identified the Group's three product and service lines as operating segments described above.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. Details of the Group's segment information and reconciliations of the totals of the Group's operating segments to the Group's key financial figures as presented in the financial statements are stated in the following tables.

| | 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 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | | | | | | | | | (Restated) |
| Reportable segment revenue: | | | | | | | | | | |
| Sales to external customers | **347,681** | 415,898 | **22,377** | 25,052 | **59,643** | 62,830 | **–** | – | **429,701** | 503,780 |
| Intersegment sales | **4,835** | 7,323 | **72** | 25 | **258** | 271 | **(5,165)** | (7,619) | **–** | – |
| Total | **352,516** | 423,221 | **22,449** | 25,077 | **59,901** | 63,101 | **(5,165)** | (7,619) | **429,701** | 503,780 |
| Reportable segment results | **3,376** | 41 | **(700)** | (1,020) | **884** | 4,292 | **–** | – | **3,560** | 3,313 |
| Unallocated income/(expenses): | | | | | | | | | | |
| Interest income | | | | | | | | | **2,981** | 4,050 |
| Rental income on investment properties | | | | | | | | | **3,677** | 1,839 |
| Dividend income from financial assets at fair value through profit or loss | | | | | | | | | **738** | 589 |
| Fair value gain/(loss) on financial assets at fair value through profit or loss | | | | | | | | | **1,253** | (1,971) |
| Gain/(Loss) on disposal of financial assets at fair value through profit or loss | | | | | | | | | **5,676** | (1,729) |
| Impairment loss on amount due from an associate | | | | | | | | | **(474)** | (67) |
| Impairment loss on non-current assets held for sale | | | | | | | | | **–** | (16,043) |
| Revaluation surplus on investment properties | | | | | | | | | **7,566** | 2,423 |
| Others | | | | | | | | | **(1,095)** | (66) |
| Profit/(Loss) from operations | | | | | | | | | **23,882** | (7,662) |
| Finance costs | | | | | | | | | **(614)** | (882) |
| Share of loss of associates | | | | | | | | | **–** | (56) |
| Profit/(Loss) before income tax | | | | | | | | | **23,268** | (8,600) |
| Income tax expense | | | | | | | | | **(5,455)** | (3,464) |
| Profit/(Loss) for the year | | | | | | | | | **17,813** | (12,064) |

| | 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 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | | | | | | | (Restated) |
| Reportable segment assets | **282,317** | 282,933 | **3,628** | 3,969 | **18,547** | 20,554 | **304,492** | 307,456 |
| Unallocated assets: | | | | | | | | |
| Investment properties | | | | | | | **104,260** | 86,570 |
| Deposit paid for acquisition of an investment property | | | | | | | **11,098** | – |
| Other asset | | | | | | | **1,100** | – |
| Non-current assets held for sale | | | | | | | **65,000** | 65,000 |
| Financial assets at fair value through profit or loss | | | | | | | **86,107** | 74,491 |
| Amount due from an associate | | | | | | | **–** | 933 |
| Cash and cash equivalents | | | | | | | **103,261** | 124,759 |
| Others | | | | | | | **3,790** | 2,943 |
| Total assets | | | | | | | **679,108** | 662,152 |
| Reportable segment liabilities | **68,933** | 72,683 | **3,051** | 2,778 | **13,383** | 13,109 | **85,367** | 88,570 |
| Unallocated liabilities: | | | | | | | | |
| Interest bearing borrowings | | | | | | | **24,504** | 29,117 |
| Deferred tax liabilities | | | | | | | **39,368** | 33,797 |
| Others | | | | | | | **7,178** | 10,265 |
| Total liabilities | | | | | | | **156,417** | 161,749 |
| Other segment information: | | | | | | | | |
| Depreciation on property, plant and equipment | **12,875** | 13,047 | **394** | 432 | **825** | 1,921 | **14,094** | 15,400 |
| Amortisation of prepaid lease payments | **83** | 83 | **–** | – | **–** | 154 | **83** | 237 |
| Gain on disposal of property, plant and equipment | **(1,197)** | (161) | **–** | – | **–** | – | **(1,197)** | (161) |
| Revaluation surplus on leasehold land and buildings | **(268)** | (20) | **–** | – | **–** | – | **(268)** | (20) |
| Impairment loss on property, plant and equipment | **–** | 4,005 | **–** | 623 | **–** | – | **–** | 4,628 |
| Provision for slow moving inventories | **2,288** | 418 | **–** | – | **–** | – | **2,288** | 418 |
| Reversal of over-provision of trade payables | **–** | – | **–** | – | **(776)** | – | **(776)** | – |
| (Reversal of)/Allowance for impairment on trade receivables | **134** | (622) | **(192)** | 129 | **–** | (311) | **(58)** | (804) |
| Capital expenditure | **3,679** | 18,937 | **407** | 87 | **615** | 385 | **4,701** | 19,409 |

### 3.2 Geographical information

The Group's revenues from, external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas.

| | Hong Kong (domicile) | | Elsewhere in the PRC | | Europe and other countries | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | HK$'000 | ***HK$'000*** | HK$'000 | ***HK$'000*** | HK$'000 | ***HK$'000*** | HK$'000 |
| Reportable segment revenue: | | | | | | | | |
| Sales to external customers | **275,315** | 406,367 | **31,462** | 15,250 | **122,924** | 82,163 | **429,701** | 503,780 |
| Non-current assets | **93,876** | 49,103 | **205,983** | 210,103 | **–** | – | **299,859** | 259,206 |

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset.

### 3.3 Information about major customers

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A [(a)] | **–** | 61,352 |
| Customer B | **72,113** | 60,564 |
| | **72,113** | 121,916 |

(a) Revenue from Customer A contributes less than 10% of total revenue of the Group during the year ended 31 March 2013.

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

## 4. REVENUE

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered arising from the principal activities of the Group during the year after eliminations of all significant intra-group transactions.

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of goods | **370,058** | 440,950 |
| Rendering of services | **59,643** | 62,830 |
| | **429,701** | 503,780 |

## 5. OTHER OPERATING INCOME

| | **Group** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Interest income | **2,981** | 4,050 |
| Rental income on investment properties | **3,677** | 1,839 |
| Revaluation surplus on leasehold land and buildings | **268** | 20 |
| Revaluation surplus on investment properties | **7,566** | 2,423 |
| Reversal of impairment of trade receivables | **58** | 804 |
| Reversal of over-provision of trade payables | **776** | – |
| Dividend income from financial assets at fair value through profit or loss | **738** | 589 |
| Fair value gain on financial assets at fair value through profit or loss | **1,253** | – |
| Gain on disposal of financial assets at fair value through profit or loss | **5,676** | – |
| Gain on disposal of property, plant and equipment | **1,197** | 161 |
| Sundry income | **1,431** | 1,146 |
| | **25,621** | 11,032 |

## 6. PROFIT/(LOSS) FROM OPERATIONS

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

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Amortisation of prepaid lease payments [(a)] | **83** | 237 |
| Auditor's remuneration | **850** | 880 |
| Cost of inventories sold | **300,108** | 370,072 |
| Cost of services rendered | **19,941** | 20,046 |
| Depreciation of property, plant and equipment [(b)] | **14,094** | 15,400 |
| Exchange loss, net | **1,176** | 1,068 |
| Gain on disposal of property, plant and equipment [(f)] | **(1,197)** | (161) |
| Impairment loss on non-current assets held for sale [(f)] (note 13(a)) | **–** | 16,043 |
| Impairment loss on amount due from an associate [(f)] (note 13(c)) | **474** | 67 |
| Provision for slow moving inventories [(f)] | **2,288** | 418 |
| Fair value (gain)/loss on financial assets at fair value through profit or loss [(f)] | **(1,253)** | 1,971 |
| (Gain)/Loss on disposal of financial assets at fair value through profit or loss [(f)] | **(5,676)** | 1,729 |
| Gross rental income on investment properties | **(3,677)** | (1,839) |
| Less: Outgoing expenses | **15** | 43 |
| Net rental income on investment properties | **(3,662)** | (1,796) |
| Operating lease charges on land and buildings [(c)] | **10,417** | 9,295 |
| Reversal of impairment [(f)] | | |
| – trade receivables (note 11) | **(58)** | (804) |
| Reversal of over-provision of trade payables | **(776)** | – |
| Impairment loss on property, plant and equipment [(f)] | **–** | 4,628 |
| Revaluation surplus on leasehold land and buildings [(f)] | **(268)** | (20) |
| Revaluation surplus on investment properties [(f)] | **(7,566)** | (2,423) |
| Staff costs (excluding directors' remuneration) | | |
| Wages and salaries [(d)] | **85,522** | 89,537 |
| Pension scheme contributions [(e)] | **4,476** | 4,713 |

[a] Amortisation of prepaid lease payments of HK$83,000 (2012: HK$83,000) has been expensed in cost of sales and nil (2012: HK$154,000) in administrative expenses.

[b] Depreciation on property, plant and equipment of HK$11,640,000 (2012: HK$11,690,000) has been expensed in cost of sales and HK$2,454,000 (2012: HK$3,710,000) in administrative expenses.

[c] Operating lease charges on land and buildings of HK$844,000 (2012: HK$617,000) has been expensed in cost of sales and HK$9,573,000 (2012: HK$8,678,000) in administrative expenses.

[d] Wages and salaries of HK$39,996,000 (2012: HK$43,254,000) has been expensed in cost of sales and HK$45,526,000 (2012: HK$46,283,000) in administrative expenses.

[e] Pension scheme contributions of HK$461,000 (2012: HK$542,000) has been expensed in cost of sales and HK$4,015,000 (2012: HK$4,171,000) in administrative expenses.

[f] Included in other operating (income)/expenses.

## 7. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Interest charges on overdrafts, bank and other borrowings | | |
| – wholly repayable within five years | **482** | 819 |
| – not wholly repayable within five years | **132** | 63 |
| | **614** | 882 |

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2012: 25%).

Land appreciation tax on investment properties in the PRC, which are recovered entirely through sale, is estimated according to the requirements in relevant PRC tax laws and regulations. Land appreciation tax has been provided at ranges of progressive rates of the appreciation value.

Deferred tax is accounted for using the balance sheet liabilities method at the rate of 16.5% (2012: 16.5%) in Hong Kong or the tax rates prevailing in the countries in which the Group operates.

| | **Group** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Current tax – Hong Kong | | |
| Tax expense for the year | **747** | 1,991 |
| (Over)/Under provision in respect of prior years | **(111)** | 94 |
| | **636** | 2,085 |
| Current tax – overseas | | |
| Tax expense for the year | **2,704** | 519 |
| Deferred tax | | |
| Tax expense for the year | **2,115** | 860 |
| Income tax expense | **5,455** | 3,464 |

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

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Profit/(Loss) before income tax | **23,268** | (8,600) |
| Tax on profit/(loss) before income tax, calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned | **4,816** | (1,447) |
| Tax effect on non-deductible expenses | **958** | 4,104 |
| Tax effect on non-taxable revenue | **(1,235)** | (961) |
| Tax effect of utilisation of tax losses not previously recognised | **(646)** | (475) |
| Tax effect on tax loss not recognised | **279** | 1,381 |
| Land appreciation tax on investment properties | **1,859** | 1,024 |
| Tax effect of land appreciation tax | **(465)** | (256) |
| (Over)/Under provision in prior years | **(111)** | 94 |
| Income tax expense | **5,455** | 3,464 |

**9. DIVIDENDS**

**(a) Dividends attributable to the year**

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final dividend of HK2 cents (2012: HK2 cents) per ordinary share | **12,707** | 12,707 |

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date but reflected as an appropriation of retained earnings for the year ended 31 March 2013.

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year of HK2 cents (2012: HK2 cents) per ordinary share | **12,707** | 12,135 |

## 10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to the owners of the Company of HK$17,813,000 (2012: restated loss of HK$12,064,000) and on the weighted average number of ordinary shares of 635,353,119 (2012: 624,413,228) in issue during the year.

There are no dilutive potential shares in both years of 2013 and 2012.

## 11. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **81,879** | 94,635 |
| Less: Allowance for impairment of receivables | **(1,108)** | (1,311) |
| Trade receivables – net | **80,771** | 93,324 |

Trade receivables generally have credit terms of 30 to 120 days (2012: 30 to 120 days).

At 31 March 2013, the aging analysis of the trade receivables, based on invoiced date and net of allowance, is as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Current to 30 days | **42,975** | 43,478 |
| 31 to 60 days | **17,059** | 19,407 |
| 61 to 90 days | **11,982** | 12,990 |
| Over 90 days | **8,755** | 17,449 |
| | **80,771** | 93,324 |

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entities to which they relate:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Pound sterling | **–** | 530 |
| Euro | **78** | 64 |
| US dollars | **21,999** | 41,833 |

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

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Carrying amount at beginning of year | **1,311** | 2,581 |
| Allowance for impairment loss of prior year written off against trade receivables | **(145)** | (466) |
| Allowance for impairment loss charged to the profit or loss | **–** | 129 |
| Reversal of impairment loss credited to the profit or loss | **(58)** | (933) |
| Carrying amount at end of year | **1,108** | 1,311 |

At each of the reporting date, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The impaired receivables are recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. Consequently, specific impairment allowance was recognised. The Group does not hold any collateral over these balances.

As at 31 March 2013, the Group's trade receivables of HK$1,108,000 (2012: HK$1,311,000) were fully made for allowance for impairment. The impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered.

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

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | *HK$'000* | *HK$'000* |
| Not past due | **48,107** | 76,046 |
| Unimpaired but past due | | |
| Not more than 30 days | **21,687** | 8,013 |
| 31 – 60 days | **8,944** | 2,508 |
| 61 – 90 days | **664** | 1,731 |
| Over 90 days | **1,369** | 5,026 |
| | **80,771** | 93,324 |

As at 31 March 2013, trade receivables of HK$48,107,000 (2012: HK$76,046,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that the Group had continuing business relationships with these customers including sales to and settlements from these customers in general, which in the opinion of the directors have no indication of default. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

## 12. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

***Financial assets***

| | **Group** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong listed equity investments | **2,610** | 2,878 |
| Hong Kong unlisted debt investments | **46,142** | 37,862 |
| Hong Kong unlisted currency notes | **61** | 4,760 |
| Hong Kong unlisted equity linked notes | **1,957** | – |
| Hong Kong unlisted commodity linked notes | **1,458** | – |
| Overseas listed equity investments | **1,693** | 814 |
| Overseas unlisted fund investments | **18,932** | 15,618 |
| Overseas unlisted debt investments | **13,254** | 12,559 |
| | **86,107** | 74,491 |

***Financial liabilities***

| | **Group** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong unlisted currency notes | **(550)** | – |

The above financial assets/liabilities are classified as held for trading.

## 13. INTEREST IN ASSOCIATES

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Share of net assets – unlisted | | |
| At beginning of year | **–** | – |
| Acquisition of interest in an associate [(a)] | **–** | 56,330 |
| Capital contribution to an associate [(b)] | **–** | 2 |
| Share of loss | **–** | (56) |
| Share of other comprehensive income | **–** | 137 |
| Transfer to non-current assets held for sale (note 14 (a)) | **–** | (56,413) |
| At end of year | **–** | – |

(a) On 26 March 2011, the Group entered into an acquisition agreement (the "Acquisition Agreement") with Fullpower Investment Holdings Corp. ("Fullpower") to conditionally acquired 25% equity interest in Suntap Enterprises Ltd. ("Suntap"), which indirectly holds two coalbed methane gas projects (the "CBM Projects") in the PRC, at a consideration comprising HK$41,000,000 in cash and the issuance of 28,600,000 new shares to Fullpower by the Company (the "Consideration Shares"). Details of the acquisition are laid out in the announcement made by the Company on 28 March 2011. The fair value of the Consideration Shares was valued at HK$15,330,000 at the completion date, i.e. 26 April 2011, by an independent firm of professional valuers. Accordingly, the total consideration was HK$56,330,000 for the acquisition of the 25% equity interest in Suntap. The cash consideration included a deposit of HK$28,000,000 paid in the year ended 31 March 2011 and the balance of HK$13,000,000 paid on the completion date of 26 April 2011. The initial recognition of the investment in the associate was accounted as purchase of assets and assumption of liabilities since the operation of the associate did not constitute a business for accounting purpose as it is still in early stage of exploration. Accordingly, the purchase consideration was allocated to the individual assets and liabilities acquired and no goodwill arose on the acquisition.

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

Details of the associate are as follows:

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

According to the Acquisition Agreement, a repurchase option was granted to Fullpower pursuant to which Fullpower has the right to repurchase the 25% equity interest in Suntap sold to the Group, together with the Loan, at a total consideration of HK$65,000,000 in cash, in certain circumstances, including but not limited to, the Company demanding for the repayment of the Loan from Suntap. Subsequent to the completion of the acquisition, the CBM Projects have made due progress. However, the Company has been informed that for the purpose of accelerating the scale of exploration of the CBM Projects, additional shareholders' fundings are required to be provided. Having regard to the tightened liquidity in the capital market and the relatively weak market sentiment, and with a view to preserving the cash resources of the Group in face of the difficult market conditions ahead, the Company considered it appropriate to take a prudent investment approach and issued demand notice for repayment of the Loan on 29 March 2012. On 30 March 2012, Fullpower exercised the right stated in the Acquisition Agreement to repurchase the interest in Suntap, together with the Loan, at a total consideration of HK$65,000,000 (the "Repurchase"). The interest with net carrying amounts of HK$56,413,000 and the Loan equivalent to HK$24,630,000 as of 30 March 2012 was put together as a disposal group and reclassified as non-current assets held for sale (note 14). Accordingly, an impairment loss of HK$16,043,000 was charged to the profit or loss during the last financial year and no gain or loss of disposal arose from disposal.

The summarised financial information based on the consolidated management accounts of Suntap as at 30 March 2012 is set out below:

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

(b) During the last financial year, the Group set up and held 25% equity interest in Smooth Fortune Investments Limited ("Smooth Fortune"), a company incorporated in the British Virgin Islands which owns the entire equity interest in Artel Corporation Limited ("Artel"), incorporated in Hong Kong, with an independent third party. Artel is engaged in retailing of mobile handsets and accessories. As at 31 March 2012, the carrying amount of the interest in Smooth Fortune was reduced to nil after the share of losses for the year ended 31 March 2012 up to the paid up capital of HK$2,000 contributed by the Group. The Group has discontinued the recognition of its share of losses of the associates during the period because the Group's share of loss exceeds the Group's interest in them. On 31 August 2012, the Group disposed of its 25% equity interest in Smooth Fortune to the independent third party for nil consideration.

As a result, the carrying amount of the investment was nil on 31 August 2012 and no gain or loss of disposal arose from the disposal.

The summarised financial information based on the consolidated management accounts of Smooth Fortune as at 31 March 2012 and 31 August 2012, i.e. the date of disposal, is set out below:

| | As at 31 August 2012 *HK$'000* | As at 31 March 2012 *HK$'000* |
|---|---|---|
| Total assets | 8,577 | 3,976 |
| Total liabilities | (10,740) | (4,243) |
| Net liabilities | (2,163) | (267) |

| | **For the period from 1 April 2012 to 31 August 2012** ***HK$'000*** | For the year ended 31 March 2012 *HK$'000* |
|---|---|---|
| Revenue | **9,315** | 5,705 |
| Loss for the period/year | **(1,896)** | (275) |
| Total other comprehensive income for the period/year | **–** | – |
| **Group's share of loss of any associate for the period/year** | **–** | (2) |
| **Group's share of other comprehensive income of an associate for the period/year** | **–** | – |

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

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

(c) During the current year and the prior year, the Group made an advance of HK$1,500,000 and HK$1,000,000 respectively, totalling HK$2,500,000, to Artel which was unsecured, interest-free and repayable on demand. Impairment of HK$67,000 (note 6) was made in the last financial year. In accordance with the agreement for the disposal of the 25% equity interest in Smooth Fortune, the advance to be repaid would be written down by an amount equivalent to the Group's share of net liabilities of Smooth Fortune as at 31 August 2012. Accordingly, an additional impairment loss of HK$474,000 had been recognised and the carrying amount of HK$1,959,000 was repaid during the year.

## 14. NON-CURRENT ASSETS HELD FOR SALE

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| At beginning of year | **65,000** | – |
| Transfer from interest in an associate [(a)] (note 13(a)) | **–** | 56,413 |
| Transfer from loan to an associate [(a)] (note 13(a)) | **–** | 24,630 |
| Less: Impairment loss on the interest in an associate [(a)] | **–** | (16,043) |
| At end of year | **65,000** | 65,000 |

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

(a) On 30 March 2012, Fullpower exercised the right stated in the Acquisition Agreement to repurchase the 25% equity interest in and the Loan to Suntap, at total consideration of HK$65,000,000. The acquisition had not been completed as at 31 March 2012 and the carrying amount of the interest in this associate of HK$56,413,000 (note 13(a)) and the Loan of HK$24,630,000 (note 13(a)) were classified as a disposal group held for sale. Accordingly, an impairment loss of HK$16,043,000 was charged to the profit or loss during last financial year.

The Repurchase was originally agreed to be completed on or before 31 May 2012 but has been mutually agreed by Fullpower and the Company to extend to 25 June 2012 (or such other earlier date as the parties may agree). On 25 June 2012, Fullpower and the Company have mutually agreed to further extend the completion date of the Repurchase to 31 July 2012 (or such other earlier date as the parties may agree). Save as the above, all the other terms of the Repurchase shall continue in full force and effect. The reason for such extension was primarily due to the fact that Fullpower needs more time to obtain finance for the payment of the repurchase consideration. On 25 June 2012, Fullpower obtained a letter (the "Letter") from an independent third party based in the PRC, that it would provide a loan to a shareholder of Fullpower amounting to HK$290,000,000 of which HK$65,000,000 would be designated for direct settlement of the repurchase consideration upon fulfilment of certain prerequisite and finalisation of the terms of the loan agreement. The loan agreement was expected to be signed on 15 July 2012. Taking into consideration of the circumstance including the Letter, the Company was of the view that it was probable that the Repurchase of the 25% equity interest in and the Loan to Suntap would be completed within the next 12 months from the date of classification of 30 March 2012 and therefore, it was appropriate to classify the interest in and Loan to Suntap as a disposal group held for sale as at 31 March 2012.

(b) On 31 July 2012, Fullpower requested the Company to allow for a further grace period for the completion of the Repurchase. The Company has been closely following up with Fullpower on the progress. On 17 September 2012, a legal demand letter was presented to Fullpower to urge the completion of the Repurchase by effecting payment of the agreed repurchase consideration of HK$65,000,000.

(c) Towards the end of the reporting period, Fullpower informed the Company that Fullpower had been in negotiation with a new fund provider instead of the party identified in (a) above. On 26 April 2013, the Repurchase was completed by and has been settled as to (i) the payment of HK$25,000,000 in cash by Fullpower; and (ii) the remaining balance of the consideration of HK$40,000,000 was funded by way of a loan to Fullpower of which details are stated in note 16 below. On this basis, the directors of the Company consider that the carrying amount of HK$65,000,000 (which is the agreed repurchase consideration) of the non-current assets held for sale is representative of its fair value as at 31 March 2013.

## 15. TRADE PAYABLES

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **48,020** | 58,820 |

At 31 March 2013, the aging analysis of the trade payables, based on invoiced date, is as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Current to 30 days | **24,796** | 34,580 |
| 31 to 60 days | **7,493** | 7,995 |
| 61 to 90 days | **7,678** | 2,835 |
| Over 90 days | **8,053** | 13,410 |
| | **48,020** | 58,820 |

## 16. EVENT AFTER REPORTING DATE

As stated in note 14 above, according to announcement dated 28 April 2013, the Repurchase was completed on 26 April 2013 with settlement by HK$25,000,000 in cash and HK$40,000,000 in loan.

In conjunction with the completion of the Repurchase of the 25% equity interest in and the Loan to Suntap, Fullpower, Peace Board and a shareholder of Fullpower, Mr. Wong Sin Hua ("Mr. Wong") entered into the loan of HK$40,000,000 with interest bearing at the rate of 10% per annum to facilitate the completion of the Repurchase. The loan is repayable on 31 December 2013, with personal guaranteed by Mr. Wong and secured by a 16,667 share charge in Fullpower and over 28,600,000 shares charge of the Company.

The Company received the cash consideration of HK$25,000,000 which is equivalent to RMB20,060,000 on 26 April 2013.

## MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

### Basis for Qualified Opinion

As stated in notes 18(a) and 20 to the consolidated financial statements, the Group had classified the 25% equity interest (the "Interest") in and the loan (the "Loan") to an associate, Suntap Enterprises Ltd., as a disposal group (the "Disposal Group") held for sale in the consolidated statement of financial position as at 31 March 2012 and 31 March 2013 because the vendor of the Interest, Fullpower Investment Holdings Corp. ("Fullpower") exercised the repurchase option stated in the acquisition agreement to repurchase the Interest together with the Loan at a total consideration of HK$65 million on 30 March 2012 (the "Repurchase"). The carrying amounts before impairment loss of the interest and the Loan were approximately HK$56.4 million and approximately HK$24.6 million, respectively. An impairment loss of approximately HK$16 million was recognised in the consolidated income statement for the year ended 31 March 2012 resulting in a net aggregate carrying amount of the Disposal Group of HK$65 million as at 31 March 2012.

In accordance with Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5"), the Interest of the Disposal Group classified as held for sale should be recognised at the lower of its carrying amount and its fair value less costs to sell whereas the Loan of the Disposal Group classified as held for sale should be measured at its amortised cost less impairment following the measurement requirements of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39").

The carrying amount of the Disposal Group as at 31 March 2013 was brought forward from the consolidated financial statements for the year ended 31 March 2012 and was determined based on the agreed repurchase consideration of HK$65 million. The repurchase consideration was negotiated as part of the original acquisition agreement dated 26 March 2011. It equals the cash portion of the consideration paid by the Group to Fullpower in exchange for the Interest and the Loan advanced by the Group to the associate after the acquisition but excludes the value of the share portion of the consideration for the acquisition. The completion of the Repurchase (including the settlement of the repurchase consideration) was outstanding as at 31 March 2013.

Fullpower informed the Company that the operations of the associate remained at an early stage of exploration as at 31 March 2013 which was essentially similar to that as at 31 March 2012. On 17 September 2012, a legal demand letter has been presented to Fullpower to urge the completion of the Repurchase by effecting payment of the repurchase consideration of HK$65 million. The Company was of the view that although the Repurchase had been delayed, Fullpower was actively seeking a source of finance and remained committed to complete the Repurchase. Subsequently, the Repurchase was completed on 26 April 2013. The total consideration of HK$65 million has been settled as to (i) the payment of HK$25 million in cash by Fullpower and (ii) the remaining balance of the consideration of HK$40 million was funded by way of a loan to Fullpower by the Group. As such, the directors of the Company considered that the repurchase consideration of HK$65 million closely approximates the fair value of the Disposal Group as at 31 March 2012 and 31 March 2013, and the costs to complete the sale were immaterial. Therefore, the Company concluded that no adjustment to the carrying amount of the Disposal Group was necessary as at 31 March 2012 and 31 March 2013.

However, we were unable to verify the management's assessment that the repurchase consideration of HK$65 million closely approximates the fair value of the Disposal Group as at 31 March 2012 and 31 March 2013. The repurchase consideration was predetermined more than two years ago from 31 March 2013 (one year ago from 31 March 2012). It might not be representative of the fair value of the Disposal Group as at 31 March 2012 and 31 March 2013. There was no alternative evidence available to determine the fair value of the Disposal Group as the operations of the associate were at an early stage of exploration.

Accordingly, we were unable to determine whether the carrying amount of the Disposal Group in the consolidated statement of financial position of HK$65 million as at 31 March 2013 was free from material misstatement. Any adjustment found to be necessary would reduce the Group's net assets as at 31 March 2013 and the Group's net result for the year then ended, and would have consequential effect on the related disclosures thereof in the consolidated financial statements for the year ended 31 March 2013. We also qualified our audit opinion on the consolidated financial statements for the year ended 31 March 2012 on the same basis.

### Qualified Opinion Arising from Limitation of Scope

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BUSINESS REVIEW AND MANAGEMENT DISCUSSION

### General Review

The year 2013 is full of challenges and volatilities. The Group recorded total revenue of approximately HK$429.7 million, which represented a decrease of about 14.7% to that of last year of approximately HK$503.8 million. Gross profit margin of the Group has been improved to 25.5% for the year under review, as compared to 22.6% of the previous year. The Group recorded a profit attributable to equity holders of approximately HK$17.8 million for the year as compared with a loss attributable to equity holders of HK$12.1 million (restated) last year. The profit was mainly resulted from the gains on the Group's financial assets of approximately HK$6.9 million, revaluation surplus on investment properties of approximately HK$7.6 million resulted from the booming property market. The drop in raw materials cost also improved the profitability of the Group's major business operating segment in manufacture and sales of packaging boxes and children's novelty books, resulting in an increase in profit to HK$3.4 million as compared to approximately breakeven last year. However, the profit of the commercial printing business decreased from last year's profit of HK$4.3 million to HK$0.9 million which was mainly due to volatile financial markets.

**Business Operation**

For the year under review, the principal activities of the Group continued to be printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, manufacture of children's novelty books; manufacture, trading and sale of hangtags, labels and shirt paper board; financial printing, provision of translation services and assets management businesses.

Printing and manufacture of packaging boxes, which included accompanying brochures, manuals and catalogues, together with the manufacture of children's novelty books continued to be the Group's major business. For the year under review, the Group recorded total revenue of approximately HK$347.7 million from this major business segment, which decreased by about 16.4% compared to that of last year of HK$415.9 million. The profit from this segment increased from approximately breakeven last year to HK$3.4 million this year. The decrease in turnover was primarily due to the reduction in orders from customers because of the volatile export market in US and Europe. However, the drop in raw materials cost, especially the decrease in commodity price, outweighed the increase in labor cost in China, leading to overall improvement in segment result. As a result, our gross profit in this major business segment increased to 18% compared with 15% in the previous year.

The Group's revenue from manufacture and distribution of hangtags, labels, shirt paper boards and plastic bags decreased by 10.8% to approximately HK$22.4 million for the year under review as compared to that of last year of HK$25.1 million. The loss from this segment decreased to HK$0.7 million as compared to HK$1.0 million last year.

The Group's commercial printing business was deteriorated by the decrease in turnover resulting from the volatile financial markets. The revenue generated in this segment decreased by 5.1% to HK$59.6 million from HK$62.8 million last year. The profit from this segment decreased from HK$4.3 million last year to approximately HK$0.9 million this year.

The Group's financial assets recorded gains of approximately HK$6.9 million during the year compared to losses of approximately HK$3.7 million last year, while the Group's investment properties recorded a revaluation surplus of approximately HK$7.6 million during the year compared to approximately HK$2.4 million last year.

**Investment in Suntap Enterprises Limited**

Subsequent to the completion of the acquisition of 25% interest in Suntap Enterprises Limited ("Suntap"), though the exploration and drilling work particularly in Shanxi Xiahuangyan has been made due progress, the Group has been informed that for the purpose of accelerating the scale of exploration of the CBM projects, additional shareholders' fundings are required to be provided. Having regard to the tightened liquidity in the capital market and the relatively weak market sentiment, and with a view to preserving the cash resources of the Group, the Group considered to take a prudent investment approach and issued a demand notice for repayment of the shareholder's loan of RMB20.0 million. The Group on 30 March 2012 received a notice from Fullpower exercising the right to repurchase the 25% interest in Suntap, together with the shareholder's loan, from the Group at a total price of HK$65.0 million in accordance with the terms of the acquisition agreement (the "Repurchase"). Accordingly, the Group recorded an impairment loss on its investments in Suntap of approximately HK$16.0 million during the year ended 31 March 2012.

The Repurchase was completed on 26 April 2013. The total consideration for the Repurchase of HK$65.0 million has been settled as to (i) the payment of HK$25.0 million in cash by Fullpower; and (ii) the remaining balance of the consideration of HK$40.0 million was funded by way of a loan to Fullpower ("Fullpower Loan"). The Fullpower Loan is interest bearing at the rate of 10% per annum, repayable on 31 December 2013.

The Fullpower Loan is secured by collaterals of (i) a share charge by Mr. Wong over 16,667 shares in Fullpower representing approximately 33.33% of the entire issued share capital in Fullpower and (ii) a share charge by Fullpower over 28,600,000 shares of the Company held by Fullpower. A personal guarantee is given by Mr. Wong in favour of the Company to secure the obligations of Fullpower under the Fullpower Loan agreement.

Upon completion of the Repurchase, save for the share charge over 16,667 shares in Fullpower, the Company has no other interests in Suntap. For details, please refer to the announcement published by the Company on 28 April 2013.

**Fair value of non-current assets held for sale**

For the consolidated financial statements of the Company for the year ended 31 March 2013, the independent auditor of the Company has issued a qualified opinion in respect of the carrying amount of the 25% interest in Suntap, together with the shareholder's loan (collectively, the "Disposal Asset"). The basis for qualified opinion (including, among other things, the consequential effect of any adjustments found to be necessary on the carrying amount of Disposal Asset) and the qualified opinion arising from limitation of scope as extracted from the independent auditor's report is set out in the section headed "MODIFICATIONS TO THE OPINION IN THE

INDEPENDENT AUDITOR'S REPORT" above. The said qualified opinion includes basis that the repurchase consideration was predetermined more than two years ago from 31 March 2013 (one year ago from 31 March 2012). It might not be representative of the fair value of the Disposal Asset as at 31 March 2013. There was no alternative evidence available to determine the fair value of the Disposal Asset as the operations of the associate were at early stage of exploration. Consequently, it is uncertain that the sale of the Disposal Asset will be realised at the repurchase price of HK$65.0 million. Consequently, the independent auditor has expressed that they were unable to determine whether any adjustment to the carrying amount of the Disposal Asset in the consolidated statement of financial position of HK$65.0 million as at 31 March 2013 and the consolidated income statements for the year ended 31 March 2013 were fairly stated. The auditor has also qualified their audit opinion on the consolidated financial statements for the year ended 31 March 2012 on the same basis.

In this respect, the Company is of the view the repurchase consideration of HK$65.0 million was determined upon signing of the acquisition agreement on 26 March 2011 which was arrived at after arm's length negotiation between the Company, Fullpower and the guarantors. The repurchase option exercised by Fullpower is legally binding which means Fullpower has the legal obligation to complete the Repurchase.

Discussed in the above section headed "Investment in Suntap Enterprises Limited", the Repurchase was completed on 26 April 2013 and the total consideration of the Repurchase of HK$65.0 million has been settled by a payment of HK$25.0 million in cash by Fullpower and remaining balance of HK$40.0 million was funded by Fullpower Loan. The Company is of the view that the terms of the Fullpower Loan were arrived at after arm's length negotiation between the Company, Fullpower and Mr. Wong and the provision of the Fullpower Loan facilitates the completion of the Repurchase, such that the Company can immediately receive (after netting off the amount of the Fullpower Loan) HK$25.0 million in cash. In view of the above and the fact that the Fullpower Loan is secured by collaterals provided by Fullpower and Mr. Wong, the directors consider that the terms of the Fullpower Loan agreement are fair and reasonable and are in the interests of the Company and the shareholders as a whole.

On this basis, although the Repurchase was not completed as at 31 March 2013, taking into account the subsequent completion on 26 April 2013, the directors consider that the carrying amount of HK$65.0 million of the Disposal Asset is representative of the fair value of it to the Company as at 31 March 2013.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

The Group generally finances its operations with internally generated cashflow and banking facilities. The Group is financially sound with healthy cash position. Its cash and bank balances and short term bank deposits as at 31 March 2013 amounted to approximately HK$103.3 million. Its gearing ratio as at 31 March 2013 was 4.7% (2012: 5.8%, restated), based on the interest bearing bank borrowings of approximately

HK$24.5 million (2012: HK$29.1 million) and total equity of the Group of HK$522.7 million (2012: HK$500.4 million, restated). The directors consider that the Group's cash holding, liquid assets, future revenue and available facilities will be sufficient to fulfill the present working capital requirements of the Group.

### Exchange Rate Exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 March 2013, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and US dollars was relatively stable under the current peg system, and the Group managed the exchange rate exposures of Renminbi and Hong Kong dollars through financial instruments.

### Financial Guarantees and Charges on Assets

As at 31 March 2013, corporate guarantees amounting to approximately HK$174.6 million (2012: HK$179.7 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK$53.1 million (2012: HK$37.1 million).

## PROSPECTS

Looking forward, it is expected that the operating environment in the printing and packaging industry will continue to be tough and difficult. Because of the uncertain economic recovery in the United States and potential crisis in European Union, the overseas demand for our products remains volatile. The intense competition in the printing and packaging industry also limit the Group to pass the inflating cost to customers. In order to tackle the anticipated challenges and stay competitive, the Group will continue to implement stringent cost controls and management strategies. These include reducing fixed costs for the manufacturing operations, effective management in purchases and inventories level and credit tightening on customers. However, it is foreseen that the consistent increase in costs of labour will limit the effect of cost control measures.

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

## DIVIDENDS

The Directors recommended the payment of final dividend of HK2 cents (2012: HK2 cents) per share for the year ended 31 March 2013 to all shareholders whose name appear on the register of members of the Company on Wednesday, 14 August 2013, which is expected to be paid on or before Wednesday, 21 August 2013. No interim dividend (2012: Nil) have been recommended this year. Total dividend for the year amount to HK2 cents (2012: HK2 cents) per share.

## CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled on Friday, 2 August 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 31 July 2013 to Friday, 2 August 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 30 July 2013.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Wednesday, 14 August 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 12 August 2013 to Wednesday, 14 August 2013, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at the above address, for registration not later than 4:30 p.m. on Friday, 9 August 2013. The proposed final dividend will be paid on or before Wednesday, 21 August 2013.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2013.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee has reviewed with the management about 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 2013. This preliminary announcement of the Group's results for the year ended 31 March 2013 has been agreed with the Company's external auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has compiled the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 March 2013 except for the deviation from Code provision A.4.1 in that the non-executive directors were not appointed for a specific term and Code provision A.5.1 in that no nomination committee has been established. However, as the Bye-laws of the Company stipulate that one-third of the directors shall retire from office by rotation so that each director shall be subject to retirement at least once every three years and the procedures for shareholders to elect a director has properly published in the Company's website, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 March 2013.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (http://www.cheongming.com) and the Stock Exchange's website (http://www.hkexnews.hk). The annual report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

By Order of the Board
**Lui Shing Ming Brian**
*Chairman*

Hong Kong, 26 June 2013

*As at the date of this announcement, the executive directors of the Company are Mr. Lui Shing Ming, Brian, Mr. Lui Shing Cheong and Mr. Lui Shing Chung, Victor and the independent non-executive directors of the Company are Dr. Lam Chun Kong, Mr. Lo Wing Man and Dr. Ng Lai Man, Carmen.*