

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

### 29. Contingent Liabilities

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Guarantees given to banks and other financial institutions on facilities utilised by subsidiaries in respect of				
- credit facilities	—	—	153,558	66,245
- finance leases and hire purchase contracts	—	—	8,378	17,436
- other loans	—	—	1,266	4,125
	—	—	163,202	87,806
Other guarantee issued to an outsider	281	—	281	—
Bills discounted with recourse	—	3,160	—	—

### 30. Pledge of Assets

At the balance sheet date, certain assets of the Group with the following net book values have been pledged to secure borrowings granted to the Group:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Leasehold land and buildings	17,625	16,168
Plant and machinery	75,642	65,329
Bank deposits	24,848	—
	118,115	81,497

The bank deposits were pledged to secure short-term credit facilities granted to the Group.

### **31. Pension Scheme**

The Group operates a funded defined benefit pension scheme for all qualified employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The pension cost is assessed in accordance with the advice from Kam L. Li, Associate of the Society of the Actuaries of Watson Wyatt (Hong Kong) Limited, using the attained age method. The results of the latest actuarial assessment of the scheme as at 30th September, 2000 was set out in an actuarial report on 12th January, 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries. It was assumed that the investment return would be at 8 per cent. per annum and that salary increases would be average at 4 per cent. per annum. Based on the latest available actuarial assessment of the scheme as at 30th September, 2000, the market value of the assets of the scheme was approximately HK\$5,150,000, and this was sufficient to cover 125 per cent. of the actuarial value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The Group contributed a rate of approximately 4.2 per cent. and 9.5 per cent. of the total salary payment to the scheme as advised by the actuary for the periods from 1st January, 2000 to 30th September, 2000 and from 1st October, 2000 to 31st December, 2000, respectively (1999: 4.2 per cent. throughout the whole year).

### **32. Related Party Transactions**

Pursuant to an option agreement dated 6th May, 1996, the holders of non-voting deferred shares of Midas Printing Limited, a subsidiary of the Company, transferred their entire interest in those shares to Midas Printing Group (BVI) Limited, another subsidiary of the Company, for a consideration of HK\$51 during the year. The holders of such shares included ERI Holdings Limited, the former substantial shareholder of the Company, and Mr. LAU Chuk Kin, a director of the Company.

The Group did not enter into significant transactions with related parties during the year ended 31st December, 1999.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

*For the year ended 31st December, 2000*

### 33. Post Balance Sheet Events

The following significant events took place subsequent to the balance sheet date:

- (a) On 12th January, 2001, the Company entered into a conditional sale and purchase agreement (the "Agreement") with Impressive Profit Investments Limited ("Impressive Profit") to acquire a 20 per cent. interest in Treasure Auctioneer International Limited, a company incorporated in the British Virgin Islands, which is engaged in the provision of specialist auction services in Hong Kong and general trading, for a consideration of HK\$68,000,000. This consideration will be satisfied as to HK\$52,000,000 in cash and as to HK\$16,000,000 by way of issue and allotment of 40,000,000 new shares of HK\$0.10 each in the Company. Impressive Profit is owned by Mr. CHUANG Shaw Swee, Alan and Mrs. SIU CHUANG Siu Suen, Alice who, together with their associates as defined under the Rules Governing the Listing of Securities on the Stock Exchange, are the controlling shareholders of Chuang's Consortium International Limited, a substantial shareholder of the Company through its interest in China Cyberworld Limited. On 2nd March, 2001, the Company entered into a deed of termination and cancellation to terminate and cancel the Agreement and each party thereto unconditionally released each of the other parties thereto of and from all obligations and liabilities thereunder. Full details of the transactions were contained in the announcements of the Company dated 15th January, 2001 and 2nd March, 2001.
- (b) Subsequent to 31st December, 2000, options to subscribe for 630,000 shares in the share capital of the Company at an exercise price of HK\$0.230 per share were exercised.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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### 34. Segmental Information

The Group's turnover and contribution to profit from operations are derived principally from commercial printing, books printing and packaging printing.

An analysis of the Group's turnover and contribution to profit from operations by geographical market for the year ended 31st December, 2000 is as follows:

	<b>Turnover</b>	<b>Profit from</b>
	<b>HK\$'000</b>	<b>operations</b>
		<b>HK\$'000</b>
Hong Kong	276,536	17,338
North America	170,886	11,120
Europe	136,604	17,769
Australia and New Zealand	61,025	5,406
Others	18,235	2,074
	<u>663,286</u>	53,707
Interest earned on bank and other deposits		3,505
Impairment loss on property, plant and equipment		(12,478)
Impairment loss on other securities		(780)
Profit from operations		43,954

An analysis of the Group's turnover by geographical market for the year ended 31st December, 1999 is as follows:

	HK\$'000
Hong Kong	214,294
North America	76,689
Europe	105,834
Australia and New Zealand	54,082
Others	21,623
	<u>472,522</u>

Contributions to profit by geographical market for the year ended 31st December, 1999 has not been presented as the contribution to profit from each market is substantially in line with the overall Group's ratio of profit to turnover.

Midas Printing Group Limited

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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### 35. Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31st December, 2000 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activity (note 2)
Dah Hua International Printing Press Company Limited	Hong Kong	HK\$1,600,000 ordinary shares	100%	Trading of printing products
Dah Hua Printing Press Company Limited	Hong Kong	HK\$600,000 ordinary shares	100%	Trading of printing products
東莞勤達印刷有限公司 Dongguan Midas Printing Limited	PRC	HK\$93,800,000	100%	Packaging printing
Lever Printing Factory Limited	Hong Kong	HK\$150,000 founders' shares HK\$350,000 ordinary shares	100%	Trading of packaging printing products
Midas Printing, Inc.	The United States of America	US\$100 common stock	100%	Provision of marketing services for books printing
Midas Printing Limited	Hong Kong	HK\$100 ordinary shares HK\$10,000,000 non-voting deferred shares (note 1)	100%	Commercial printing and books printing

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

### 35. Subsidiaries (Cont'd)

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activity (note 2)
Midas Printing (Asia) Limited	Hong Kong	HK\$100 ordinary shares	80%	Trading of printing products
Midas Printing International Limited	Hong Kong	HK\$7,000 ordinary shares	100%	Trading of printing products
廣東省博羅縣圓州勤達印務有限公司	PRC	US\$7,500,000	100%	Books printing and binding

Notes:

1. The deferred shares practically carry no rights to dividends or to receive notice of attend or vote at any general meeting of the Company or to participate in any distribution on winding up.
2. All subsidiaries carry out their operations principally in their respective place of incorporation or registration.

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

None of the subsidiaries had any loan capital outstanding at the end of the year.