

# Notes to the Financial Statements

31 March 2002

## 1. CORPORATE INFORMATION

The registered office of Hung Hing Printing Group Limited is located at Hung Hing Printing Centre, 17–19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

- printing and manufacturing of paper and carton boxes
- trading of paper
- manufacturing of corrugated cartons

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPS”)

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year’s consolidated financial statements:

- SSAP 9 (Revised): “Events after the balance sheet date”
- SSAP 14 (Revised): “Leases”
- SSAP 18 (Revised): “Revenue”
- SSAP 26: “Segment reporting”
- SSAP 28: “Provisions, contingent liabilities and contingent assets”
- SSAP 30: “Business combinations”
- SSAP 31: “Impairment of assets”
- SSAP 32: “Consolidated financial statements and accounting for investments in subsidiaries”
- Interpretation 12: “Business combinations — subsequent adjustment of fair values and goodwill initially reported”
- Interpretation 13: “Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations are summarised below.

## **2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)**

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of this SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 26 and 33 to the financial statements, respectively.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company’s own financial statements for the year. The adoption of this SSAP has resulted in a prior year adjustment, further details of which are included in notes 11 and 29 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

## Notes to the Financial Statements (continued)

31 March 2002

### 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This SSAP has had no significant impact on the preparation of these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of this SSAP and Interpretation 13 has not resulted in a prior year adjustment.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. This SSAP is required to be applied prospectively and therefore has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements. This SSAP requires an investment in a subsidiary in a parent’s separate financial statements should be either carried at cost less any impairment loss or accounted for as an investment other than a held-to-maturity security in accordance with SSAP 24 “Accounting for investments in securities”. The adoption of this SSAP has resulted in a prior year adjustment, further details of which are included in note 17 to the financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain long term listed equity investments and interests in subsidiaries, as further explained below.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

#### **Subsidiaries**

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

In prior years, certain of the Company's interests in subsidiaries are stated at directors' valuation based on the fair values ascribed to the net underlying assets of the subsidiaries acquired at the date of acquisition in 1992. The surplus of such valuation over the cash consideration paid had been credited to the revaluation reserve of the Company. The revised accounting treatment for the investments in subsidiaries from the adoption of SSAP 32 has given rise to a prior year adjustment in the Company's financial statements, further details of which are included in note 17 to the financial statements.

#### **Associates**

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

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

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

## Notes to the Financial Statements (continued)

31 March 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Goodwill

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

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

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

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

#### Negative goodwill

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Negative goodwill (continued)**

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

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

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

#### **Impairment of assets**

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

## Notes to the Financial Statements (continued)

31 March 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment of assets (continued)

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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

Leasehold land	Over the lease terms
Buildings situated in Hong Kong	Over the lease terms
Buildings situated elsewhere in the PRC	2.5% on the straight-line basis
Plant and machinery	10–20% on the reducing balance basis
Motor vehicles	30% on the reducing balance basis
Furniture, fixtures and equipment	20–30% on the reducing balance basis

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Fixed assets and depreciation (continued)**

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

#### **Land use rights**

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

#### **Properties under construction**

Properties under construction represent buildings under construction, on sites in the PRC whose land use rights have been acquired by the Group, which is stated at cost less any impairment losses and is not depreciated. Cost comprises the direct costs of construction. The properties under construction are reclassified to the appropriate category of fixed assets when completed and ready for use.

#### **Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of the assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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



## Notes to the Financial Statements (continued)

31 March 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Long term investments

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

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

Securities which are not classified as investment securities are classified as other investments. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual basis. Unlisted securities are stated at their estimated fair values on an individual basis. The gains and losses arising from changes in fair value of such security are credited or charged to the profit and loss account for the period in which they arise.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials includes the cost of purchased materials determined using the weighted average basis. The cost of finished goods and work in progress includes direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and disposal.

#### Accounts receivable

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective rate of interest applicable; and
- (c) dividends, when the shareholders' right to receive payment has been established.

#### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 29 to the financial statements.

## Notes to the Financial Statements (continued)

31 March 2002

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Staff retirement schemes

The Group operates a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operated another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") commencing 1 December 2000 under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 were only eligible to join the MPF Scheme.

#### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### Foreign currencies

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Foreign currencies (continued)**

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

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

#### **Cash equivalents**

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

#### **Related parties**

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

### **4. SEGMENT INFORMATION**

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. 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.

## Notes to the Financial Statements (continued)

31 March 2002

### 4. SEGMENT INFORMATION (continued)

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 other business segments. Summary details of the business segments are as follows:

- (a) the paper and carton box printing and manufacturing segment;
- (b) the paper trading segment; and
- (c) the corrugated carton manufacturing segment.

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.

#### 4. SEGMENT INFORMATION (continued)

##### (a) Business segments

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

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	<b>1,033,394</b>	1,035,364	<b>230,090</b>	310,060	<b>365,072</b>	454,738	—	—	<b>1,628,556</b>	1,800,162
Intersegment sales	<b>2,192</b>	995	<b>320,767</b>	374,226	<b>82,329</b>	73,377	<b>(405,288)</b>	(448,598)	—	—
Total	<b>1,035,586</b>	1,036,359	<b>550,857</b>	684,286	<b>447,401</b>	528,115	<b>(405,288)</b>	(448,598)	<b>1,628,556</b>	1,800,162
Segment results	<b>226,156</b>	244,347	<b>23,428</b>	35,891	<b>56,562</b>	69,488	<b>301</b>	1,283	<b>306,447</b>	351,009
Interest, dividend income and unallocated gains									<b>14,180</b>	14,661
Corporate and unallocated expenses									<b>(17,318)</b>	(19,939)
Profit from operating activities									<b>303,309</b>	345,731
Finance costs									<b>(7,083)</b>	(13,489)
Share of profits of associates									<b>5,346</b>	13,340
Profit before tax									<b>301,572</b>	345,582
Tax									<b>(24,079)</b>	(46,385)
Profit before minority interests									<b>277,493</b>	299,197
Minority interests									<b>(20,855)</b>	(25,534)
Net profit attributable to shareholders									<b>256,638</b>	273,663

## Notes to the Financial Statements (continued)

31 March 2002

### 4. SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

The following tables present certain asset and liability information for the Group's business segments.

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Corporate and others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<b>858,753</b>	873,482	<b>176,922</b>	150,471	<b>451,527</b>	389,198	—	—	<b>1,487,202</b>	1,413,151
Interests in associates	—	—	—	—	—	—	<b>157,031</b>	173,993	<b>157,031</b>	173,993
Unallocated assets	—	—	—	—	—	—	—	—	<b>356,675</b>	270,550
<b>Total assets</b>	<b>858,753</b>	873,482	<b>176,922</b>	150,471	<b>451,527</b>	389,198	<b>157,031</b>	173,993	<b>2,000,908</b>	1,857,694
Segment liabilities	<b>82,279</b>	53,777	<b>11,333</b>	3,617	<b>24,500</b>	23,004	—	—	<b>118,112</b>	80,398
Unallocated liabilities	—	—	—	—	—	—	—	—	<b>181,090</b>	175,684
<b>Total liabilities</b>	<b>82,279</b>	53,777	<b>11,333</b>	3,617	<b>24,500</b>	23,004	—	—	<b>299,202</b>	256,082
Other segment information:										
Depreciation and amortisation	<b>44,999</b>	41,863	<b>345</b>	368	<b>11,572</b>	11,553	<b>454</b>	508	<b>57,370</b>	54,292
Capital expenditure	<b>48,380</b>	43,380	<b>87</b>	603	<b>81,955</b>	15,791	<b>396</b>	508	<b>130,818</b>	60,282

#### 4. SEGMENT INFORMATION (continued)

##### (b) Geographical segments

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

	Hong Kong		Elsewhere in the PRC		United States of America		Corporate and Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	<b>1,012,776</b>	1,187,411	<b>255,705</b>	260,231	<b>203,954</b>	198,486	<b>156,121</b>	154,034	<b>1,628,556</b>	1,800,162
Segment results	<b>181,754</b>	229,769	<b>51,454</b>	47,951	<b>41,484</b>	41,265	<b>31,755</b>	32,024	<b>306,447</b>	351,009
Other segment information:										
Segment assets	<b>721,389</b>	693,400	<b>1,187,341</b>	1,074,073	<b>47,235</b>	49,119	<b>44,943</b>	41,102	<b>2,000,908</b>	1,857,694
Capital expenditure	<b>1,989</b>	4,560	<b>128,829</b>	55,722	—	—	—	—	<b>130,818</b>	60,282



## Notes to the Financial Statements (continued)

31 March 2002

### 5. TURNOVER, REVENUE AND GAINS

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

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

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Turnover — sale of goods	<b>1,628,556</b>	1,800,162
Other revenue and gains:		
Dividend income from listed equity investments	<b>258</b>	322
Interest income	<b>13,922</b>	14,339
Gain on disposal of fixed assets	<b>101</b>	—
Sundry income	<b>6,342</b>	8,055
	<b>20,623</b>	22,716
Total revenue	<b>1,649,179</b>	1,822,878

## 6. PROFIT FROM OPERATING ACTIVITIES

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

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>57,370</b>	54,292
Auditors' remuneration	<b>1,470</b>	1,518
Staff costs (including directors' remuneration — note 7):		
Wages, salaries and other allowances	<b>230,590</b>	215,439
Staff retirement contributions	<b>2,966</b>	2,882
Less: Forfeited contributions	<b>(332)</b>	(390)
Net staff retirement contributions	<b>2,634</b>	2,492
Total staff costs	<b>233,224</b>	217,931
Minimum lease payments under operating leases in respect of land and buildings	<b>4,543</b>	4,255
Provision for bad and doubtful debts	<b>9,007</b>	9,987
Unrealised losses on listed equity investments	<b>97</b>	1,513
Loss on disposal of fixed assets	—	879
Exchange losses, net	—	2,513

## Notes to the Financial Statements (continued)

31 March 2002

### 7. DIRECTORS' REMUNERATION

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

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	—	—
Non-executive directors*	357	390
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	14,264	12,680
Retirement scheme contributions	515	410
Discretionary bonuses paid and payable	14,421	14,632
	<b>29,557</b>	<b>28,112</b>

\* Fees include HK\$190,000 (2001: HK\$190,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

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

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	7	9
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$5,000,001 – HK\$5,500,000	—	1
HK\$5,500,001 – HK\$6,000,000	1	—
HK\$7,000,001 – HK\$7,500,000	—	1
HK\$7,500,001 – HK\$8,000,000	1	—
HK\$11,000,001 – HK\$11,500,000	—	1
HK\$11,500,001 – HK\$12,000,000	1	—
	<b>11</b>	<b>13</b>

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

## 8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2001: four) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining one (2001: one) non-director, highest paid employees are set out below:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>1,140</b>	1,090
Retirement scheme contributions	<b>46</b>	44
Discretionary bonuses paid and payable	<b>1,894</b>	1,833
	<b>3,080</b>	2,967

The remuneration of the non-director, highest paid employees fell within the following bands:

	<b>Number of employees</b>	
	<b>2002</b>	2001
HK\$2,500,001 – HK\$3,000,000	—	1
HK\$3,000,001 – HK\$3,500,000	<b>1</b>	—
	<b>1</b>	1

## 9. FINANCE COSTS

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank loans	<b>7,033</b>	13,395
Finance leases	<b>50</b>	94
Total finance costs	<b>7,083</b>	13,489

## Notes to the Financial Statements (continued)

31 March 2002

### 10. TAX

Provision for Hong Kong profits tax has been made at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the countries in which the Group and the associates operate, based on existing legislation, interpretations and practices in respect thereof.

	2002 HK\$'000	2001 HK\$'000
The Group:		
Hong Kong	(28,997)	(19,994)
PRC, excluding Hong Kong		
— Provision for the year	(13,788)	(22,647)
— Overprovision in the prior year	7,938	—
Deferred tax (note 27)	9,775	(2,075)
	(25,072)	(44,716)
Associates:		
PRC, excluding Hong Kong	993	(1,669)
Tax charge for the year	(24,079)	(46,385)

### 11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company is HK\$281,146,000 (2001: restated as HK\$152,320,000).

## 11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (continued)

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a net debit of HK\$17,000,000 to the Company's net profit for that year, and a credit of HK\$88,000,000 to the dividend receivable from subsidiaries in the Company's balance sheet. The prior year adjustment reversed dividends from subsidiaries which were declared and approved by the subsidiaries after the prior year's balance sheet date, but which were recognised by the Company as revenue in its financial statements for that year. The prior year adjustment resulted in a decrease in the Company's retained profits by HK\$88,000,000 and HK\$71,000,000 as at 1 April 2001 and 1 April 2000, respectively. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 29 to the financial statements.

The effect of this change in accounting policy on the Company's net profit for the current year was to increase the net profit by HK\$88,000,000 to HK\$281,146,000, as disclosed above, representing the final dividend of HK\$88,000,000 declared by the subsidiaries after the prior year's balance sheet date at 31 March 2001.

## 12. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Interim dividend of HK9.5 cents (2001: HK9.5 cents) per ordinary share	<b>54,341</b>	54,510
Proposed final dividend of HK19 cents (2001: HK19 cents) per ordinary share	<b>108,681</b>	108,869
	<b>163,022</b>	163,379

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

## Notes to the Financial Statements (continued)

31 March 2002

### 12. DIVIDENDS (continued)

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 March 2001 of HK\$108,869,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 March 2001, by HK\$108,869,000.

The effect of this change in accounting policy as at 31 March 2002 is that the current year's proposed final dividend of HK\$108,681,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

### 13. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$256,638,000 (2001: HK\$273,663,000) and the weighted average of 572,616,608 (2001: 573,794,798) shares in issue during the year.

#### (b) Diluted earnings per share

Diluted earnings per share amounts for the years ended 31 March 2002 and 2001 have not been presented as there were no dilutive potential ordinary shares in existence during these years.

## 14. FIXED ASSETS

### Group

	<b>Leasehold land and buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At beginning of year	319,278	647,755	26,491	55,649	1,049,173
Additions	372	127,816	1,908	722	130,818
Transfer from properties under construction (note 16)	34,632	2,500	—	—	37,132
Disposals	—	(8,684)	(2,306)	(29)	(11,019)
At 31 March 2002	354,282	769,387	26,093	56,342	1,206,104
Accumulated depreciation:					
At beginning of year	41,329	268,477	15,589	24,970	350,365
Provided during the year	8,486	41,923	2,888	4,073	57,370
Disposals	—	(4,991)	(1,221)	(16)	(6,228)
At 31 March 2002	49,815	305,409	17,256	29,027	401,507
Net book value:					
At 31 March 2002	304,467	463,978	8,837	27,315	804,597
At 31 March 2001	277,949	379,278	10,902	30,679	698,808



## Notes to the Financial Statements (continued)

31 March 2002

### 14. FIXED ASSETS (continued)

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

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Hong Kong — medium term leases	<b>107,323</b>	107,323
PRC, under land use rights valid for 50 years from 28 May 1992	<b>75,646</b>	75,646
PRC, under land use rights valid for 30 years from 17 December 1996	<b>74,934</b>	71,837
PRC, under land use rights valid for 50 years from 24 March 1997	<b>96,379</b>	64,472
	<b>354,282</b>	319,278

#### Company

	<b>Leasehold land and buildings</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:				
At beginning of year	14,981	4,314	785	20,080
Additions	—	390	6	396
Disposals	—	(150)	—	(150)
At 31 March 2002	14,981	4,554	791	20,326
Accumulated depreciation:				
At beginning of year	714	3,217	549	4,480
Provided during the year	475	400	56	931
Disposals	—	(43)	—	(43)
At 31 March 2002	1,189	3,574	605	5,368
Net book value:				
At 31 March 2002	13,792	980	186	14,958
At 31 March 2001	14,267	1,097	236	15,600

#### 14. FIXED ASSETS (continued)

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

Certain leasehold land and buildings of the Group's subsidiaries with a total net book value of HK\$56,530,000 (2001: certain leasehold land and buildings and plant and machinery of HK\$69,760,000 in aggregate) have been pledged to a bank to secure certain short term bank loans (note 25).

The net book value of the fixed assets of the Company and the Group held under finance leases included in the total amount of motor vehicles at 31 March 2001 was HK\$571,000.

#### 15. LONG TERM INVESTMENTS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted equity investments, at fair value	93	200	—	—
Club debentures, at fair value	1,362	1,179	802	619
	1,455	1,379	802	619
Hong Kong listed equity investments, at market value	4,218	4,315	—	—
	5,673	5,694	802	619

## Notes to the Financial Statements (continued)

31 March 2002

### 16. PROPERTIES UNDER CONSTRUCTION

	Group	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	30,945	34,187
Additions	21,391	39,898
Transfer to fixed assets (note 14)	(37,132)	(43,140)
At 31 March	15,204	30,945

The properties under construction are located in the PRC.

### 17. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
		(Restated)
Unlisted shares, at cost	51,651	38,000
Due from subsidiaries	313,118	303,404
Due to subsidiaries	(313)	(28,272)
	364,456	313,132

During the year, the Company adopted the new SSAP 32 "Consolidated financial statements and accounting for investments in subsidiaries" as detailed in notes 2 and 3 to the financial statements. To comply with this new SSAP, a prior year adjustment has been made to restate certain investments in subsidiaries of the Company, which were stated at directors' valuation based on the fair value ascribed to the net underlying assets of the subsidiaries acquired at the date of acquisition in 1992 of HK\$104,043,000, to their cost of acquisition of HK\$1 and to reduce the corresponding revaluation reserve of the Company of HK\$104,043,000 to zero as at 31 March 2001.

The balance with subsidiaries are unsecured, interest-free and not repayable within one year.

## 17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary/paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK\$100	100	—	Paper and carton box printing and manufacturing
Sun Hing Paper Company, Limited	Hong Kong	HK\$100	100	—	Paper trading
Tai Hing Paper Products Company, Limited	Hong Kong	HK\$100	100	—	Trading of corrugated cartons
Piguet Graphic & Prints Company Limited	Hong Kong	HK\$1,000,000	100	—	Provision of colour separation services
Hung Hing Printing (Shenzhen) Company Limited*	PRC	HK\$80,000,000	—	100	Production and colour printing of paper products
Hung Hing Paper Products (Shenzhen) Limited*	PRC	HK\$38,000,000	100	—	Printing and manufacturing of paper cartons**
Zhongshan Hung Hing Printing & Packaging Company Limited*	PRC	US\$12,800,000	—	56	Printing and manufacturing of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited*	PRC	US\$5,000,000	—	56	Production and colour printing of paper products

## Notes to the Financial Statements (continued)

31 March 2002

### 17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary/paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hung Hing International Limited	British Virgin Islands	US\$100	100	—	Investment holding and the provision of processing services
South Gain Enterprises Limited	Hong Kong	HK\$10,000	—	56	Selling and purchasing agent
Po Hing Packaging (Shenzhen) Company Limited <sup>#</sup>	PRC	US\$1,750,000	100	—	Not yet commence operations

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

\* The financial statements of these subsidiaries for the year ended 31 December 2001 have been audited by Ernst & Young. The results of these subsidiaries have been consolidated into the Group's financial statements for the year ended 31 March 2002 based on the audited financial statements for the year ended 31 December 2001 and their unaudited management accounts for the three months ended 31 March 2002.

\*\* Operations suspended during the year.

# Newly set up during the year.

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

## 18. INTERESTS IN ASSOCIATES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	—	—	118,213	118,213
Share of net assets other than goodwill	136,586	141,764	—	—
	<b>136,586</b>	<b>141,764</b>	<b>118,213</b>	<b>118,213</b>

Particulars of the associates are as follows:

Name	Business Structure	Place of registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2002	2001	
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Corporate	PRC	35	35	Manufacturing of paper
Zhongshan Ren Hing Paper Manufacturing Company Limited	Corporate	PRC	35	35	Manufacturing of paper

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

## 19. DUE FROM/TO AN ASSOCIATE

The Group's amount due from an associate is unsecured, bears interest at prime rate for balances due over three months (2001: prime rate for balances due over three months) and has no fixed terms of repayment.

The Company's amount due to an associate is unsecured, interest-free and has no fixed terms of repayment.

## Notes to the Financial Statements (continued)

31 March 2002

### 20. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	<b>237,050</b>	207,889
Work in progress	<b>18,575</b>	19,691
Finished goods	<b>14,964</b>	15,573
	<b>270,589</b>	243,153

As at 31 March 2002, there were no inventories stated at net realisable value (2001: Nil).

### 21. ACCOUNTS RECEIVABLE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Accounts receivable, net of provisions	<b>326,352</b>	386,964

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 30 days	<b>124,085</b>	144,295
Between 31 to 60 days	<b>92,852</b>	106,498
Between 61 to 90 days	<b>55,362</b>	37,172
Over 90 days	<b>54,053</b>	98,999
	<b>326,352</b>	386,964

## 21. ACCOUNTS RECEIVABLE (continued)

Trading terms with customers are largely on credit. Invoices are normally payable between 30 to 90 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management.

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	<b>66,848</b>	46,576	<b>370</b>	467
Time deposits	<b>331,759</b>	261,639	<b>331,759</b>	260,821
	<b>398,607</b>	308,215	<b>332,129</b>	261,288

## 23. ACCOUNTS PAYABLE

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Within 30 days	<b>30,947</b>	16,767
Between 31 to 60 days	<b>8,748</b>	4,820
Between 61 to 90 days	<b>484</b>	444
Over 90 days	<b>630</b>	689
	<b>40,809</b>	22,720



## Notes to the Financial Statements (continued)

31 March 2002

### 24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trust receipt loans		<b>20,411</b>	19,511	—	—
Current portion of bank loans	25	<b>48,509</b>	76,699	—	—
Current portion of finance lease payables	26	—	418	—	418
		<b>68,920</b>	96,628	—	418

### 25. INTEREST-BEARING BANK LOANS

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans:		
Secured	<b>4,717</b>	32,830
Unsecured	<b>128,792</b>	88,963
	<b>133,509</b>	121,793
Short term bank loans	<b>43,509</b>	67,265
Long term bank loans repayable:		
Within one year	<b>5,000</b>	9,434
In the second year	<b>30,000</b>	9,434
In the third to fifth years, inclusive	<b>55,000</b>	35,660
	<b>90,000</b>	54,528
	<b>133,509</b>	121,793
Portion classified as current liabilities (note 24)	<b>(48,509)</b>	(76,699)
Long term portion	<b>85,000</b>	45,094

## 25. INTEREST-BEARING BANK LOANS (continued)

As at 31 March 2002, short term bank loans of HK\$4,717,000 (2001: HK\$32,830,000) are secured by pledge of leasehold land and buildings of the Group's subsidiaries (note 14) (2001: pledge of leasehold land and buildings and plant and machineries of the Group's subsidiaries).

## 26. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles and these leases were classified as finance leases. The total future minimum lease payments under finance leases as at the balance sheet date were as follows:

### Group and Company

	<b>Minimum lease payments 2002 HK\$'000</b>	Minimum lease payments 2001 HK\$'000	Present value of minimum lease payments 2001 HK\$'000
Amounts payable:			
Within one year	—	466	429
In the second year	—	254	234
Total minimum finance lease payments	—	720	<u>663</u>
Future finance charges	—	(57)	
Total net finance lease payables	—	663	
Portion classified as current liabilities (note 24)	—	<u>(418)</u>	
Long term portion	—	<u>245</u>	

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

## Notes to the Financial Statements (continued)

31 March 2002

### 27. DEFERRED TAX

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of year	10,728	8,653	121	121
Provided/(released) during the year (note 10)	(9,775)	2,075	—	—
At 31 March	953	10,728	121	121

The principal components of the Group's and the Company's provision for deferred tax liabilities and the amounts not provided for are as follows:

	Provided		Not provided	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>				
Accelerated depreciation allowances	969	12,708	5,570	5,310
Others	(16)	(1,980)	—	—
	953	10,728	5,570	5,310
<b>Company</b>				
Accelerated depreciation allowances	121	121	—	—

The provision for deferred tax is made in respect of accelerated depreciation allowances to the extent that a liability is expected to crystallise in the foreseeable future.

## 28. SHARE CAPITAL

	<b>2002</b>	2001	<b>2002</b>	2001
	<b>Number of</b>	Number of	<b>HK\$'000</b>	HK\$'000
	<b>shares</b>	shares		
Authorised ordinary shares of HK\$0.10 each	<b>800,000,000</b>	800,000,000	<b>80,000</b>	80,000
Issued and fully paid ordinary shares of HK\$0.10 each:				
At beginning of year	<b>573,794,798</b>	573,794,798	<b>57,379</b>	57,379
Repurchases of shares	<b>(1,788,000)</b>	—	<b>(179)</b>	—
At 31 March	<b>572,006,798</b>	573,794,798	<b>57,200</b>	57,379

During the year, the Company repurchased a total of its 1,788,000 shares on the Stock Exchange, all of which have been cancelled, at a total consideration of HK\$5,082,000. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration in respect of the share repurchases was paid out of the retained profits of the Company. Further details of the repurchases are set out as follows:

<b>Month</b>	<b>Number of</b>	<b>Price per share</b>		<b>Total cost</b>
		<b>shares</b>	<b>Highest</b>	
		HK\$	HK\$	HK\$'000
May 2001	800,000	2.80	2.80	2,249
October 2001	976,000	2.975	2.775	2,797
November 2001	12,000	2.975	2.975	36
	<u>1,788,000</u>			<u>5,082</u>

The directors believe that the repurchases are in the best interests of the Company and its shareholders.

## Notes to the Financial Statements (continued)

31 March 2002

### 29. RESERVES

#### Group

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	590,690	787	104,289	37,062	467,634	1,200,462
Appropriation of retained profits to legal reserves	—	—	—	11,007	(11,007)	—
Net profit attributable to shareholders	—	—	—	—	273,663	273,663
Interim 2001 dividend	—	—	—	—	(54,510)	(54,510)
Proposed final 2001 dividend	—	—	—	—	(108,869)	(108,869)
At 31 March 2001 and 1 April 2001	590,690	787	104,289	48,069	566,911	1,310,746
Share repurchases	—	179	—	—	(179)	—
Premium paid in respect of share repurchases	—	—	—	—	(4,903)	(4,903)
Appropriation of retained profits to legal reserves	—	—	—	8,465	(8,465)	—
Net profit attributable to shareholders	—	—	—	—	256,638	256,638
Interim 2002 dividend	—	—	—	—	(54,341)	(54,341)
Proposed final 2002 dividend	—	—	—	—	(108,681)	(108,681)
At 31 March 2002	590,690	966	104,289	56,534	646,980	1,399,459

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against or credited to the Group's capital reserve, respectively.

The amounts of goodwill and negative goodwill remaining in the Group's capital reserve, arising from the acquisition of subsidiaries, are HK\$814,000 and HK\$105,103,000, respectively, as at 1 April 2001 and 31 March 2002.

## 29. RESERVES (continued)

### Company

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2000:					
As previously reported	590,690	787	104,043	39,538	735,058
Prior year adjustment:					
SSAP 18 (Revised) — net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year (notes 2 and 11)	—	—	—	(71,000)	(71,000)
SSAP 32 — restatement of certain investments in subsidiaries from valuation to cost (notes 2, 3 and 17)	—	—	(104,043)	—	(104,043)
As restated	590,690	787	—	(31,462)	560,015
Net profit attributable to shareholders (as restated)	—	—	—	152,320	152,320
Interim 2001 dividend	—	—	—	(54,510)	(54,510)
Proposed final 2001 dividend	—	—	—	(108,869)	(108,869)
At 31 March 2001	590,690	787	—	(42,521)	548,956
Balance at 1 April 2001:					
As previously reported	590,690	787	104,043	45,479	740,999
Prior year adjustment:					
SSAP 18 (Revised) — net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year (notes 2 and 11)	—	—	—	(88,000)	(88,000)
SSAP 32 — restatement of certain investments in subsidiaries from valuation to cost (notes 2, 3 and 17)	—	—	(104,043)	—	(104,043)
As restated	590,690	787	—	(42,521)	548,956
Share repurchases	—	179	—	(179)	—
Premium paid in respect of share repurchases	—	—	—	(4,903)	(4,903)
Net profit attributable to shareholders	—	—	—	281,146	281,146
Interim 2002 dividend	—	—	—	(54,341)	(54,341)
Proposed final 2002 dividend	—	—	—	(108,681)	(108,681)
At 31 March 2002	590,690	966	—	70,521	662,177

## Notes to the Financial Statements (continued)

31 March 2002

### 29. RESERVES (continued)

An analysis of the retained profits of the Group as at the balance sheet date is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
The Company and subsidiaries	628,607	543,360
Associates	18,373	23,551
	<b>646,980</b>	<b>566,911</b>

The legal reserves are statutory reserves for foreign investment enterprises operating in the PRC. The transfers to these reserves are determined by the board of directors of the relevant subsidiaries and the use thereof is governed by the relevant laws and regulations of the PRC.

### 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	Group	
	2002	2001
	HK\$'000	HK\$'000
Profit from operating activities	303,309	345,731
Depreciation	57,370	54,292
Interest income	(13,922)	(14,339)
Dividend income from listed equity investments	(258)	(322)
Loss/(gain) on disposal of fixed assets	(101)	879
Unrealised losses on listed equity investments	97	1,513
Impairment of an unlisted investment	107	—
Decrease/(increase) in an amount due from an associate	11,784	(27,054)
Decrease/(increase) in inventories	(27,436)	22,919
Decrease in accounts receivable	60,612	25,809
Decrease/(increase) in prepayments, deposits and other receivables	(12,933)	6,827
Increase/(decrease) in accounts payable	18,089	(11,860)
Increase/(decrease) in other payables and accrued liabilities	21,381	(8,752)
Net cash inflow from operating activities	<b>418,099</b>	<b>395,643</b>

### 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (b) Analysis of changes in financing during the years

	Share capital (including share premium account) HK\$'000	Short term bank loans HK\$'000	Long term bank loans HK\$'000	Minority interests HK\$'000	Finance lease payables HK\$'000	Retained profits HK\$'000
At 1 April 2000	648,069	43,004	—	108,429	1,035	467,634
Cash inflow/(outflow) from financing	—	24,261	54,528	4	(372)	—
Net profit attributable to						
shareholders	—	—	—	—	—	273,663
Interim 2001 dividend	—	—	—	—	—	(54,510)
Proposed final 2001 dividend	—	—	—	—	—	(108,869)
Appropriation of retained profits to						
legal reserves	—	—	—	—	—	(11,007)
Share of profit for the year	—	—	—	25,534	—	—
Amounts due from minority interests	—	—	—	(1,014)	—	—
Dividends paid to minority interests	—	—	—	(8,335)	—	—
At 31 March 2001						
and at 1 April 2001	648,069	67,265	54,528	124,618	663	566,911
Cash inflow/(outflow) from financing	—	(28,454)	35,472	3,048	(663)	—
Net profit attributable to						
shareholders	—	—	—	—	—	256,638
Interim 2002 dividend	—	—	—	—	—	(54,341)
Proposed final 2002 dividend	—	—	—	—	—	(108,681)
Appropriation of retained profits to						
legal reserves	—	—	—	—	—	(8,465)
Share of profit for the year	—	—	—	20,855	—	—
Share repurchases	(179)	—	—	—	—	(179)
Premium paid in respect of share						
repurchases	—	—	—	—	—	(4,903)
Amounts due from minority interests	—	—	—	(1,816)	—	—
Dividends paid to minority interests	—	—	—	(10,339)	—	—
At 31 March 2002	647,890	38,811	90,000	136,366	—	646,980



## Notes to the Financial Statements (continued)

31 March 2002

### 31. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

		Group	
	Notes	2002 HK\$'000	2001 HK\$'000
Sales to an associate	(i)	<b>130,002</b>	132,841
Purchases from an associate	(i)	<b>46,871</b>	60,291
Rentals paid to Perla City Investments Limited, a company beneficially owned by Mr. Yum Chak Ming, Matthew	(ii)	<b>600</b>	600
Rentals paid to Gaintek Holdings Limited, a company beneficially owned by Mr. Yam Hon Ming, Tommy	(ii)	<b>840</b>	840
Interest income received from an associate	(iii)	<b>2,056</b>	2,845

Notes:

- (i) The sales to the associate were carried out in the ordinary course of business of the Group according to the prices and conditions offered to regular customers of the Group, and the purchases from the associate were carried out in the ordinary course of business of the Group according to the prices and conditions similar to those offered to regular customers of the suppliers.
- (ii) The rentals paid to Perla City Investments Limited and Gaintek Holdings Limited were in connection with the housing benefits provided to Messrs. Yum Chak Ming, Matthew and Yam Hon Ming, Tommy, directors of the Company, respectively, and were based on estimated open market rentals and have been included in the directors' remuneration as detailed in note 7 to the financial statements.
- (iii) The interest income from the associate arose from the amount due from the associate, arising in the ordinary course of business of the Group, further details including the terms of which are disclosed in note 19 to the financial statements.

### 32. CONTINGENT LIABILITIES

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

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries	—	—	<b>654,554</b>	586,830
Amount of banking facilities with the Company's guarantees utilised by subsidiaries	—	—	<b>145,025</b>	106,192

### 33. OPERATING LEASE ARRANGEMENTS

At 31 March 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Within one year	<b>4,821</b>	2,844	<b>1,524</b>	1,341
In the second to fifth years, inclusive	<b>5,632</b>	6,124	<b>165</b>	1,128
After five years	<b>63,857</b>	65,095	—	—
	<b>74,310</b>	74,063	<b>1,689</b>	2,469

## Notes to the Financial Statements (continued)

31 March 2002

### 33. OPERATING LEASE ARRANGEMENTS (continued)

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessees have been restated to accord with the current year's presentation.

### 34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the balance sheet date:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted for				
Land and buildings	21,699	—	—	—
Plant and machineries	10,631	47,747	—	—
Investments in subsidiaries in the PRC	—	—	147,490	—
	<b>32,330</b>	47,747	<b>147,490</b>	—

### 35. COMPARATIVE AMOUNTS

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

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 July 2002.