

Notes to the Financial Statements

For the year ended 31 December 2000

1. GENERAL

The Company is incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are the printing of books, magazines, documents and packaging products.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The principal accounting policies which have been adopted in preparing the financial statements, and which conform with accounting principles generally accepted in Hong Kong, are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") made up to 31 December each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Notes to the Financial Statements

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Any premium or discount arising on acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as goodwill.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Investment in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors or equivalent governing body.

Investment in subsidiaries is included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with an associate, all significant unrealised profits and losses are eliminated to the extent of the Group's interest in the associate.

Notes to the Financial Statements

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income derived therefrom being negotiated at arm's length.

Investment properties are stated at their open market values based on professional valuation at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance in the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement.

On disposal of an investment property, any balance in the investment property revaluation reserve which is attributable to the disposed property is credited to the income statement.

No depreciation is provided on investment properties which are held on leases with unexpired term of more than twenty years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Marketable securities

Investments in marketable securities are carried at fair value. The unrealised gains or losses are dealt with in the income statement.

Notes to the Financial Statements

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expenses are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Turnover

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, during the year.

Revenue recognition

Sales of goods are recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and the applicable rate of interest.

Dividends from marketable securities are recognised when the Group's right to receive dividend payment is established.

Rental income under operating leases are recognised on a straight line basis over the duration of the leases.

Property, plant and equipment

Property, plant and equipment, are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location. Expenditure incurred after an asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year 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 asset, the expenditure is capitalised as an additional cost of the asset.

Notes to the Financial Statements

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

The Group has adopted the transitional arrangement provided in paragraph 72 of SSAP 17 "Property, plant and equipment" with regard to the requirement to make regular revaluations of non-investment properties. Accordingly, there will be no further revaluation of the Group's non-investment properties subsequent to 31 March 1995. Up to 31 March 1995, surpluses arising on the revaluation of these properties were credited to the property revaluation reserve.

The cost or valuation of buildings is depreciated over the term of the lease, including the renewable period, or 40 years whichever is the shorter.

No depreciation is provided on the cost of plant and machinery under installation and factory buildings under construction until the assets are ready for their intended use.

Depreciation is provided to write off the cost or valuation of all other assets, less residual value if any, over their estimated useful lives using the straight-line method at the following rates per annum:

Plant and machinery	6 $\frac{2}{3}$ % – 10%
Equipment, furniture and fixtures	20%
Motor vehicles	20%

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, namely, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases (Continued)

Rental receipts or payments under operating leases are credited or charged to the income statement on a straight-line basis over the duration of the leases.

Foreign currencies

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

In the preparation of consolidated financial statements, financial statements which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates prevailing on the balance sheet date. All exchange differences arising on translation are dealt with in the translation reserve.

Retirement benefit costs

Retirement benefit costs which are charged to the income statement represent the net amount of contributions payable by the Group to its defined contribution retirement benefit schemes.

Cash equivalents

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 advances.

Notes to the Financial Statements

For the year ended 31 December 2000

3. TURNOVER AND SEGMENT INFORMATION

The analysis of the Group's turnover and contribution to operating profit by principal activity for the year ended 31 December 2000 is as follows:

Principal activity	2000		1999	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
Printing of books and magazines	686,033	92,395	680,739	97,721
Printing of packaging products	327,968	35,158	309,620	37,275
Financial printing	125,445	21,680	14,585	3,701
	<u>1,139,446</u>	<u>149,233</u>	<u>1,004,944</u>	138,697
Contributions from other activities		717		2,124
Interest expenses, net of interest income of HK\$5,426,000 (1999: HK\$993,000)		<u>(38,245)</u>		<u>(34,601)</u>
Profit from operations after finance costs		<u>111,705</u>		<u>106,220</u>

The analysis of the Group's turnover by geographical market for the year is as follows:

	2000 HK\$'000	1999 HK\$'000
People's Republic of China, including Hong Kong	748,050	613,163
United States of America	257,055	232,890
United Kingdom	61,053	84,744
Other areas	73,288	74,147
	<u>1,139,446</u>	<u>1,004,944</u>

Amongst the various geographical markets of the Group, the contribution of each principal activity, when measured in relation to turnover, is not significantly different.

Notes to the Financial Statements

For the year ended 31 December 2000

4. PROFIT FROM OPERATIONS

	2000 HK\$'000	1999 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs	133,505	106,628
Retirement benefit scheme contributions, net of forfeited contributions of HK\$379,000 (1999: HK\$79,000)	1,507	1,288
Total staff costs	135,012	107,916
Auditors' remuneration	1,528	981
Depreciation	49,103	53,143
Rental payments		
– for land and buildings	2,358	1,571
– for machinery and equipment	1,720	–
and after crediting:		
Interest income	5,426	993
Gross rental income, before deduction of outgoings of HK\$72,000 (1999: HK\$232,000)	1,112	2,987
Dividends from marketable securities	1	57

Notes to the Financial Statements

For the year ended 31 December 2000

5. REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

	2000 HK\$'000	1999 <i>HK\$'000</i>
Directors' fees		
Executive	–	–
Non-executive	<u>420</u>	<u>328</u>
	<u>420</u>	<u>328</u>
Emoluments of executive directors		
Salaries and other benefits	11,295	11,705
Retirement benefit scheme contributions	<u>273</u>	<u>253</u>
	<u>11,568</u>	<u>11,958</u>
Total directors' remuneration	<u>11,988</u>	<u>12,286</u>

The emoluments of the directors were within the following bands:

	Number of directors	
	2000	1999
Up to HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	2	2
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	<u>2</u>	<u>3</u>
	<u>10</u>	<u>10</u>

(b) Emoluments of the five highest paid employees

The five highest paid employees of the Group in both years are also executive directors of the Company whose emoluments are shown above.

Notes to the Financial Statements

For the year ended 31 December 2000

6. FINANCE COSTS

	2000 HK\$'000	1999 <i>HK\$'000</i>
Interest on		
– bank borrowings and other loans		
wholly repayable within five years	41,864	35,465
– other balance due (<i>note 21</i>)	1,807	129
	<u>43,671</u>	<u>35,594</u>

No interest was capitalised by the Group during the year.

7. TAXATION

	2000 HK\$'000	1999 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on		
the estimated assessable profit of the year	4,376	780
Profits tax outside Hong Kong	9,503	4,951
Deferred taxation (<i>note 22</i>)	2,487	1,819
	<u>16,366</u>	<u>7,550</u>
Taxation attributable to the Company		
and its subsidiaries	16,366	7,550
Share of taxation of associates	577	588
	<u>16,943</u>	<u>8,138</u>

Taxation outside Hong Kong is calculated at the rate prevailing in the respective jurisdiction.

8. NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit for the year, a profit of HK\$36,201,000 (1999: HK\$34,315,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 December 2000

9. DIVIDENDS

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Interim dividend paid: 4.0 cents (1999: 3.5 cents) per share	12,161	9,606
Final dividend proposed: 6.0 cents (1999: 7.0 cents) per share	24,190	19,213
Overprovision	(89)	–
	<u>36,262</u>	<u>28,819</u>

The amount of the proposed final dividend is calculated on the basis of the proposed dividend rate and the 403,166,918 shares (1999: 274,466,918 shares) in issue at the date of the report.

10. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$70,276,000 for the year ended 31 December 2000 (1999: HK\$86,160,000) and on the weighted average of 289,226,610 shares (1999: 274,466,918 shares) in issue during the year.

No diluted earnings per share has been presented as the Company has no dilutive potential shares in issue during the year.

Notes to the Financial Statements

For the year ended 31 December 2000

11. INVESTMENT PROPERTIES

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
The investment properties are held under:		
Long lease in Hong Kong	8,800	16,600
Medium-term land use right in other parts of the People's Republic of China (the "PRC")	15,750	15,600
	<u>24,550</u>	<u>32,200</u>

The changes during the year are as follows:

	2000	1999
	HK\$'000	HK\$'000
Balance at 1 January	32,200	32,200
Reclassified to properties for own use	(7,600)	–
Deficit arising on valuation at 31 December	(50)	–
	<u>24,550</u>	<u>32,200</u>

The Group's investment properties were revalued as at 31 December 1999 and 2000 on an open market value basis by Chung, Chan & Associates, an independent firm of professional valuers. The deficit arising on valuation is charged to the income statement.

Notes to the Financial Statements

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12. PROPERTY, PLANT AND EQUIPMENT

	Properties for own use HK\$'000	Plant and machinery HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Plant and machinery under installation and factory buildings under construction HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 January 2000	323,017	500,392	42,122	24,109	2,216	891,856
Additions	4,761	29,356	5,876	1,452	31,086	72,531
Acquired on acquisition of subsidiaries	-	-	1,530	-	-	1,530
Reclassification from investment properties (<i>note 11</i>)	7,600	-	-	-	-	7,600
Other reclassifications	6,748	10,919	2,940	983	(21,590)	-
Disposals	(467)	(6,751)	(2,313)	(4,436)	-	(13,967)
At 31 December 2000	341,659	533,916	50,155	22,108	11,712	959,550
Comprising:						
At cost	222,646	533,916	50,155	22,108	11,712	840,537
At valuation - 31.3.1994	58,620	-	-	-	-	58,620
- 31.3.1995	7,393	-	-	-	-	7,393
- 31.3.1998	45,400	-	-	-	-	45,400
- 31.3.2000	7,600	-	-	-	-	7,600
	341,659	533,916	50,155	22,108	11,712	959,550
DEPRECIATION						
At 1 January 2000	27,825	183,362	26,690	13,580	-	251,457
Provided for the year	11,533	30,385	5,897	1,288	-	49,103
Acquired on acquisition of subsidiaries	-	-	742	-	-	742
Eliminated on disposals	(138)	(3,801)	(1,673)	(3,748)	-	(9,360)
At 31 December 2000	39,220	209,946	31,656	11,120	-	291,942
NET BOOK VALUES						
At 31 December 2000	302,439	323,970	18,499	10,988	11,712	667,608
At 31 December 1999	295,192	317,030	15,432	10,529	2,216	640,399

Notes to the Financial Statements

For the year ended 31 December 2000

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Some of the properties for own use were valued by an independent firm of professional valuers as at 31 March 1994 and 1995 on an open market value basis. Since the Group has adopted the transitional arrangement provided in paragraph 72 of the Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants with regard to the requirement to make regular revaluations of non-investment properties, no further revaluation of the Group's non-investment properties has been carried out subsequent to 31 March 1995. Properties carried at 1998 and 2000 valuations are properties which were transferred from investment properties.

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Properties for own use comprise properties held under:		
Long lease in Hong Kong	107,301	100,044
Medium-term lease in Hong Kong	9,343	9,566
Medium-term land use right in other parts of the PRC	185,795	185,582
	302,439	295,192

Had the non-investment properties of the Group been always carried at cost less accumulated depreciation, their carrying value at 31 December 2000 would be approximately HK\$289 million (1999: HK\$279 million).

13. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	73,024	73,024

Details of the Company's principal subsidiaries at 31 December 2000 are set out in note 35.

Notes to the Financial Statements

For the year ended 31 December 2000

14. INTEREST IN ASSOCIATES

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets of associates	34,245	33,048

Details of the Group's associates at 31 December 2000 are set out in note 35.

15. INVENTORIES

Inventories are stated at cost and comprise:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	173,324	136,830
Work in progress	63,285	38,842
Finished goods	28,063	19,309
	264,672	194,981

16. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows different credit periods to its trade customers depending on the type of printing services required. Credit periods vary from 0 to 180 days in accordance with industry practice.

The following is an aged analysis of the Group's trade receivables at 31 December:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Within credit period	158,687	195,116
0 – 30 days past due	29,154	37,086
31 – 60 days past due	16,462	11,443
61 – 90 days past due	7,469	6,849
Over 90 days past due	30,754	36,431
	242,526	286,925
Other debtors, deposits and prepayments	86,009	41,684
	328,535	328,609

Notes to the Financial Statements

For the year ended 31 December 2000

17. MARKETABLE SECURITIES

Marketable securities comprise shares listed in Hong Kong and are stated at their market value at the balance sheet date.

18. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of the Group's trade payables at 31 December:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
0 – 30 days	65,599	86,871
31 – 60 days	11,839	23,327
61 – 90 days	3,788	9,062
91 – 120 days	1,155	2,719
Over 120 days	3,480	5,612
	85,861	127,591
Other creditors and accrued charges (<i>see note 21</i>)	113,614	101,678
	199,475	229,269

19. SHORT-TERM BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank overdrafts	17,021	3,602	323	69
Trust receipt loans	57,704	26,494	–	–
Short term bank loans	219,980	241,127	–	–
	294,705	271,223	323	69
<i>Add: Other bank loans due within one year (note 20)</i>	31,578	23,036	–	–
	326,283	294,259	323	69

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20. BANK LOANS NOT WHOLLY REPAYABLE WITHIN ONE YEAR

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Mortgage loans	600	6,600
Machinery loans	2,270	11,890
Other bank loans	184,708	120,801
	<u>187,578</u>	<u>139,291</u>
Analysed as:		
Secured	2,870	18,490
Unsecured	184,708	120,801
	<u>187,578</u>	<u>139,291</u>

The loans bear interest at prevailing market rates and are repayable as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Within one year	31,578	23,036
In the second year	72,000	31,505
Between the third and fifth year	84,000	84,750
	<u>187,578</u>	<u>139,291</u>
<i>Less: Amount due within one year shown under current liabilities (note 19)</i>	<u>(31,578)</u>	<u>(23,036)</u>
Amount due after one year shown as non current	<u>156,000</u>	<u>116,255</u>

21. OTHER BALANCE DUE AFTER ONE YEAR

The amount of HK\$30,114,000 in 1999 represented the balance payable in connection with the acquisition of Vite Limited in that year. The balance bore interest at 6% per annum. Full settlement of the outstanding balance, including interest, was made subsequent to 31 December 2000 in accordance with the terms of the sale and purchase agreement. Accordingly, as at 31 December 2000, the balance payable in respect of the acquisition is included in "Creditors and accrued charges" under current liabilities.

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22. DEFERRED TAXATION

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
At 1 January	7,414	5,368
Acquired on acquisition of subsidiaries (<i>note 26</i>)	–	227
Charge for the year	<u>2,487</u>	<u>1,819</u>
At 31 December	<u><u>9,901</u></u>	<u><u>7,414</u></u>

At the balance sheet date, the major components of deferred tax liability (asset) which have been provided in the financial statements are attributable to the following timing differences:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	18,676	23,591
Taxation losses available to set off against future profits	(8,728)	(15,303)
Other	<u>(47)</u>	<u>(874)</u>
	<u><u>9,901</u></u>	<u><u>7,414</u></u>

Deficit arising from revaluation of the Group's properties, none of which is held for trading purposes, do not constitute timing differences for taxation purposes.

The Group and the Company had no material unprovided deferred taxation for the year or at the balance sheet date.

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23. SHARE CAPITAL

	2000		1999	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>	<u>500,000,000</u>	<u>50,000</u>
In issue:				
Shares of HK\$0.10 each:				
At 1 January	274,466,918	27,447	274,466,918	27,447
Placement of shares (see note (a) below)	30,000,000	3,000	-	-
Purchases of own shares during the year (see note (b) below)	<u>(2,092,000)</u>	<u>(210)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>302,374,918</u>	<u>30,237</u>	<u>274,466,918</u>	<u>27,447</u>

Notes:

- (a) As announced on 7 June 2000, the Company entered into a subscription agreement on that date with Shaw, Kwei & Partners (Asia) Ltd. to allot 30,000,000 new shares, representing approximately 10.93% and 9.85% of the then existing share capital and the enlarged issued share capital of the Company respectively, in the Company to seven private equity investors at HK\$1.65 per share. The seven private equity investors are independent of, and not connected with, the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited).

The subscription price of HK\$1.65 per share represented a premium of about 3.1% to the closing price of HK\$1.60 per share as quoted on the Stock Exchange. It also represented a premium of about 6.5% to the average of the closing price of HK\$1.55 per share for the last 10 trading days up to and including 5 June 2000, being the last full trading day prior to the suspension of dealings in the Company's shares on 7 June 2000.

The subscription shares were issued under the general mandate granted to the directors at the Company's annual general meeting held on 9 May 2000. The net proceeds of approximately HK\$48 million from the subscription were for general working capital purposes as no plan was identified to use the said net proceeds.

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23. SHARE CAPITAL (Continued)

- (b) During the year ended 31 December 2000, the Company purchased some of its own shares through the Stock Exchange as follows:

Month of purchase	No. of shares	Price per share		Consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
June	454,000	1.62	1.59	734
July	132,000	1.62	1.58	211
August	600,000	1.51	1.48	904
September	776,000	1.55	1.46	1,192
November	130,000	1.58	1.55	204
	<u>2,092,000</u>			<u>3,245</u>

The shares were cancelled upon repurchase.

At the annual general meeting of the Company held on 9 May 2000, the former employee share option scheme, which was adopted on 27 August 1991, was terminated and a new scheme was approved.

Under the new scheme, which is substantially the same as the former scheme, the board of directors of the Company may offer to directors and full time employees of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The aggregate maximum number of shares issuable under the former and the new scheme is 10% of the Company's shares in issue.

No option was granted or exercised under the former or the new scheme in the past two years and there was no unexercised option outstanding at 31 December 1999 and 2000.

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24. RESERVES

	Property revaluation reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Accum- ulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP								
Balance at 1 January, 1999	14,107	133,530	2,262	(16,114)	796	4,113	380,832	519,526
Changes in 1999:								
Goodwill arising on acquisition of subsidiaries (<i>note 26</i>)	-	-	-	-	-	-	(71,672)	(71,672)
Goodwill arising on acquisition of additional interest in associates	-	-	-	-	-	-	(4,021)	(4,021)
Capitalisation of reserves of a subsidiary	-	-	-	-	-	1,201	(1,201)	-
Profit for the year, retained	-	-	-	-	-	-	57,341	57,341
Balance at 31 December 1999	14,107	133,530	2,262	(16,114)	796	5,314	361,279	501,174
Changes in 2000:								
Goodwill arising on acquisition of subsidiaries (<i>note 26</i>)	-	-	-	-	-	-	(3,043)	(3,043)
Goodwill arising on acquisition of associates	-	-	-	-	-	-	(3,854)	(3,854)
Goodwill arising on acquisition of additional interest in associates	-	-	-	-	-	-	(1,397)	(1,397)
Reversal of goodwill, previously eliminated against accumulated profits, on disposal of associates	-	-	-	-	-	-	8,959	8,959
Capitalisation of reserves of a subsidiary	-	-	-	-	-	1,339	(1,339)	-
Premium on placement of shares	-	45,061	-	-	-	-	-	45,061
Premium paid on purchase of own shares	-	(3,036)	-	-	-	-	-	(3,036)
Transfer on purchase of own shares	-	-	209	-	-	-	(209)	-
Profit for the year, retained	-	-	-	-	-	-	34,014	34,014
Balance at 31 December 2000	14,107	175,555	2,471	(16,114)	796	6,653	394,410	577,878

Notes to the Financial Statements

For the year ended 31 December 2000

24. RESERVES (Continued)

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accum- ulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
Balance at 1 January 1999	63,516	133,530	2,262	255,616	454,924
Changes in 1999:					
Profit for the year <i>(note 8)</i>	–	–	–	34,315	34,315
Dividends <i>(note 9)</i>	–	–	–	(28,819)	(28,819)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(28,819)</u>	<u>(28,819)</u>
Balance at 31 December 1999	63,516	133,530	2,262	261,112	460,420
Changes in 2000:					
Premium on placement of shares	–	45,061	–	–	45,061
Premium paid on purchase of own shares	–	(3,036)	–	–	(3,036)
Transfer on purchase of own shares	–	–	209	(209)	–
Profit for the year <i>(note 8)</i>	–	–	–	36,201	36,201
Dividends <i>(note 9)</i>	–	–	–	(36,262)	(36,262)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(36,262)</u>	<u>(36,262)</u>
Balance at 31 December 2000	<u>63,516</u>	<u>175,555</u>	<u>2,471</u>	<u>260,842</u>	<u>502,384</u>

The capital reserve of the Group arose from the acquisition of additional interest in a subsidiary.

The other reserves of the Group represent the Group's share of the statutory reserves of a subsidiary in the PRC. These statutory reserves represent appropriations of the subsidiary's profits for designated purposes and are not distributable.

Notes to the Financial Statements

For the year ended 31 December 2000

24. RESERVES (Continued)

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's shares which were issued under a group reorganisation in 1991. In addition to accumulated profits, the contributed surplus of the Company is also available for distribution to shareholders under company law in Bermuda. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit before taxation	101,574	107,383
Deficit on revaluation of investment properties	50	–
Share of results of associates	2,846	(1,163)
Loss on disposal of associates	7,285	–
Depreciation	49,103	53,143
Interest expense	43,671	35,594
Interest income	(5,426)	(993)
Rental income from investment properties	(1,112)	(2,987)
Dividends from marketable securities	(1)	(57)
Loss (gain) on disposal of property, plant and equipment	637	(22)
Increase in inventories	(69,691)	(32,967)
Decrease (increase) in debtors, deposits and prepayments	6,555	(61,380)
(Decrease) increase in creditors and accrued charges	(68,932)	74,496
Increase (decrease) in bills payable	53,288	(15,331)
Net cash inflow from operating activities	<u>119,847</u>	<u>155,716</u>

Notes to the Financial Statements

For the year ended 31 December 2000

26. ACQUISITION OF SUBSIDIARIES

On 6 December 1999, the Group acquired the entire issued share capital of Vite Limited, and its subsidiary, for an aggregate consideration of HK\$102,237,000. On 7 December 2000, the Group acquired the remaining equity interest of Publishing Partners Limited and its subsidiaries (formerly associates of the Group), which were previously not held by the Group, for a consideration of HK\$3,117,000. These transactions have been accounted for by the acquisition method of accounting.

	2000	1999
	HK\$'000	HK\$'000
Assets (liabilities) acquired:		
Property, plant and equipment	788	3,711
Debtors, deposits and prepayments	6,481	24,144
Bank balances and cash	95	21,881
Creditors and accrued charges	(7,217)	(18,630)
Taxation payable	-	(130)
Bank overdraft	-	(184)
Deferred taxation	-	(227)
Interest in associates previously recognised	(73)	-
Net assets acquired	74	30,565
Consideration	3,117	102,237
Goodwill arising on acquisition	3,043	71,672
Consideration satisfied by:		
Cash paid	3,117	71,873
Creditors and accrued charges	-	250
Other balance due after one year (<i>note 21</i>)	-	30,114
	3,117	102,237
Net cash outflow from acquisition:		
Cash paid	(3,117)	(71,873)
Bank balances and cash acquired, net of bank overdraft	95	21,697
	(3,022)	(50,176)

As the acquisition dates were close to the financial year end of the Group, the acquired subsidiaries did not contribute significantly to the Group's cash from operations, nor did they receive any significant returns on investments nor utilise any material resources on investing activities in the year of the acquisition.

Notes to the Financial Statements

For the year ended 31 December 2000

27. ANALYSIS OF THE CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Bank loans	Minority interests
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 1999	160,977	308,400	60,071
Changes in 1999:			
Borrowings raised during the year	–	182,968	–
Repayments during the year	–	(110,950)	–
Disposal of partial interest in a subsidiary	–	–	1,162
Profit attributable to minority shareholders	–	–	13,085
Dividends paid to minority shareholders	–	–	(1,515)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1999	160,977	380,418	72,803
Changes in 2000:			
Placement of shares	48,061	–	–
Purchase of own shares	(3,246)	–	–
Borrowings raised during the year	–	277,623	–
Repayments during the year	–	(250,483)	–
Profit attributable to minority shareholders	–	–	14,355
Dividends paid to minority shareholders	–	–	(10,549)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2000	<u>205,792</u>	<u>407,558</u>	<u>76,609</u>

Notes to the Financial Statements

For the year ended 31 December 2000

28. OPERATING LEASE COMMITMENTS

At 31 December 2000, the Group was committed to pay following amounts within a year under non-cancellable operating leases for the following:

	Land and buildings		Office equipment	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In respect of operating leases expiring				
– Within one year	325	790	–	–
– In the second to fifth year inclusive	3,683	2,200	972	–
	<u>4,008</u>	<u>2,990</u>	<u>972</u>	<u>–</u>

The Company had no operating lease commitment at the balance sheet date.

29. CAPITAL COMMITMENTS

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of plant, machinery and equipment	<u>33,973</u>	<u>12,350</u>

The Company had no capital commitment at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2000

30. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Export bills discounted with recourse	<u>71,343</u>	<u>65,739</u>	<u>-</u>	<u>-</u>
Guarantees given to banks in respect of banking facilities granted to				
- subsidiaries	-	-	1,330,779	783,687
- associates	<u>40,560</u>	<u>19,296</u>	<u>40,560</u>	<u>19,296</u>
	<u>40,560</u>	<u>19,296</u>	<u>1,371,339</u>	<u>802,983</u>

31. RETIREMENT BENEFIT SCHEMES

The Group has defined contribution retirement benefit schemes for its Hong Kong employees. The assets of the schemes are held separately from those of the Group under the control of independent trustees. The Group pays contributions at rates specified in the schemes. When an employee leaves a scheme, the amount of forfeited contributions, if any, will be used by the Group to reduce its contributions payable in subsequent periods. There were no material unutilised forfeited contributions at the balance sheet dates.

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

32. PLEDGE OF ASSETS

At 31 December 2000, the Group's borrowings were secured by the following assets of the Group:

- (a) investment and other properties with carrying values of approximately HK\$9 million (1999: HK\$17 million) and HK\$184 million (1999: HK\$100 million) respectively; and

Notes to the Financial Statements

For the year ended 31 December 2000

32. PLEDGE OF ASSETS (Continued)

- (b) other plant and equipment with an aggregate book value of approximately HK\$23 million (1999: HK\$27 million).

At 31 December 1999, approximately HK\$0.5 million of the Group's bank deposits were pledged. No bank deposit was pledged at 31 December 2000.

33. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group incurred subcontracting expenses of approximately HK\$34,041,000 (1999: HK\$1,557,000) for printing services provided by Sing Kee Printing Factory Limited, company in which the spouse of a director of a wholly-owned subsidiary of the Company has a controlling interest. These transactions were carried out on terms similar to those applicable to transactions with unrelated parties.
- (b) During the year, the Group purchased paper amounting to approximately HK\$41,311,000 (1999:HK\$66,318,000) from上海金業包裝材料有限公司, a company in which上海紡印印刷包裝有限公司 holds 37% interest. 上海紡印印刷包裝有限公司 holds 41% interest in a subsidiary of the Company. The purchase prices were determined between the Group and the vendor by reference to market prices.
- (c) During the year, the Group advanced a sum of approximately HK\$17,757,000 to 上海紡印印刷包裝有限公司. The advance bears interest of 6.435% per annum. The interest income receivable by the Group for the year amounted to approximately HK\$409,000. The advance and the accrued interest thereon were settled subsequent to 31 December 2000.

34. SUBSEQUENT EVENT

As announced by the Company on 21 December 2000, and in a circular issued by the Company to its shareholders on 9 January 2001, the Company entered into a conditional subscription agreement with Smurfit International B.V. ("Smurfit") under which Smurfit will subscribe for 100,792,000 new shares in the Company at a price of HK\$1.65 per share. The subscription price represented approximately 5% premium to the closing price per share of HK\$1.57 as quoted on the Stock Exchange on 21 December 2000. The subscription shares represented approximately 33% of the then existing issued share capital of the Company or approximately 25% of the enlarged issued share capital of the Company after the subscription.

Smurfit is an independent third party and is not connected with any directors, chief executive or substantial shareholders of the Company, its subsidiaries or their respective associates. The estimated net proceeds of the subscription of approximately HK\$162 million would be used for investments in new production equipment to expand the Group's packaging operations in mainland China and for general working capital purposes.

The subscription agreement was approved at a special general meeting of the Company held on 6 February 2001.

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For the year ended 31 December 2000

35. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries at 31 December 2000 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued capital	Attributable equity interest of the Group	Principal activities
Dongguan Gold Art Packaging Co., Ltd.	PRC	US\$2,600,000	100%	Property holding and packaging printing
Faith Well Limited	Hong Kong/PRC	HK\$2	100%	Property holding
Geltin Limited	Hong Kong	HK\$1,000	100%	Property holding
Kam Bright Limited	Hong Kong/PRC	HK\$2	100%	Property holding
Lakesview Limited	Hong Kong	HK\$2	100%	Property holding
Leefung-Asco Packaging (Shenzhen) Co., Ltd.	PRC	US\$1,500,000	100%	Packaging printing
Leefung-Asco Printers Limited	Hong Kong	Ordinary - HK\$10,000 Deferred - HK\$7,500,000	100% 100%	Investment holding, book and magazine printing
Leefung-Asco Printers Investments Limited	British Virgin Islands	US\$100	100%	Investment holding
Leefung-Asco Printers (Shenzhen) Co., Ltd.	PRC	US\$15,000,000	100%	Book, magazine and packaging printing
Leefung-Asco Printers Trading Limited	Hong Kong	HK\$2	100%	Book, magazine and packaging trading
深圳利豐雅高印刷有限公司	PRC	US\$1,500,000	90%	Book and magazine printing
Publishing Partners Limited	Hong Kong	HK\$20,430,000	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2000

35. PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued capital	Attributable equity interest of the Group	Principal activities
Publishing Partners Box Limited	Hong Kong	HK\$2	100%	Publishing and advertising
Racing World Publications Limited	Hong Kong	HK\$1,000	100%	Publishing
Rich Ho Limited	Hong Kong/PRC	HK\$2	100%	Property holding
Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd.	PRC	US\$12,025,000	51%	Packaging printing
Shenzhen Leefung-Asco Graphics Co., Ltd.	PRC	US\$1,500,000	90%	Colour separation
Vite Limited	Hong Kong	HK\$100	100%	Financial printing

Other than Leefung-Asco Printers Investments Limited which is held directly by the Company, all subsidiaries are held by the Company indirectly.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

Notes to the Financial Statements

For the year ended 31 December 2000

35. PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

Details of the Group's principal associates, all of which are held by the Company indirectly, at 31 December 2000 are as follows:

Name of associate	Place of incorporation or registration/operation	Attributable equity interest of the Group	Principal activities
Beijing Leefung-Asco Changcheng Printers Limited	PRC	44%	Book and magazine printing
Next Synthesis Inc.	Cayman Islands	26%	Investment holding
Next Synthesis Limited	Hong Kong	23%	Web site consulting and software development
Netprinciples Limited	Hong Kong	14%	Software distribution and training

The above table lists the subsidiaries and associates which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries and associates would, in the opinion of the directors, result in particulars of excessive length.