

# NOTES ON THE ACCOUNTS

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*For the year ended 31st March, 2001*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) **Statement of compliance**

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounts also comply with the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of significant accounting policies adopted by the Group is set out below:

### (b) **Basis of preparation of the accounts**

The measurement basis used in the preparation of the accounts is historical cost.

### (c) **Basis of consolidation**

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st March each year. All material intercompany transactions and balances are eliminated on consolidation.

### (d) **Interest in subsidiaries**

A subsidiary is a company in which the Group, 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.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the Directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

### (e) **Fixed assets**

(i) Fixed assets are carried in the balance sheets at cost less accumulated depreciation.

(ii) The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account.

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*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) **Fixed assets** *(Continued)*

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

### (f) **Depreciation**

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight line basis starting from the date when the asset is put into effective use as follows:

- leasehold land is amortised on a straight-line basis over the remaining terms of the leases;
- buildings are depreciated on a straight-line basis over the remaining term of the lease;
- other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery	10 - 15 years
Tools	10 years
Furniture and fixtures	5 - 10 years
Computer and office equipment	5 - 6 years
Motor vehicles	5 - 6 years

# NOTES ON THE ACCOUNTS

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*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) **Leased assets**

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

#### (i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 1(f) above. Finance charges implicit in the lease payments are charged to the profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

#### (ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made.

### (h) **Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is 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.

# NOTES ON THE ACCOUNTS

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*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) **Inventories** *(Continued)*

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (i) **Deferred taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

### (j) **Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

#### (i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added and other sales taxes and is after deduction of discounts.

#### (ii) Dividends

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

#### (iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

# NOTES ON THE ACCOUNTS

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*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account, except those arising from the translation at closing rates of the net investment in subsidiaries outside Hong Kong, which are taken directly to the exchange reserve.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are retranslated at the rates of exchange ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.

### (l) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

### (m) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

## 2 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 13 on the accounts.

Turnover represents the invoiced value of goods sold less sales tax, returns and discounts.

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*  
*(Expressed in Hong Kong dollars)*

## 3 SEGMENTAL INFORMATION

The analysis of the geographical locations of the turnover of the Company and its subsidiaries during the year are as follows:

	<b>2001</b>	<b>2000</b>
	<i>\$'000</i>	<i>\$'000</i>
Hong Kong	<b>170,321</b>	156,428
Other areas of the PRC	<b>143,509</b>	133,385
Other areas	<b>140,958</b>	89,941
	<b>454,788</b>	379,754

## 4 INCOME

	<b>2001</b>	<b>2000</b>
	<i>\$'000</i>	<i>\$'000</i>
(a) Other revenue		
Interest income	<b>597</b>	402
Forfeiture income	<b>568</b>	—
Insurance and other claims	<b>352</b>	280
Provision for doubtful debts written back	—	15
Others	<b>418</b>	206
	<b>1,935</b>	903
(b) Other net loss		
Loss on disposal of fixed assets	<b>296</b>	2,221
Exchange loss	<b>709</b>	189
Others	<b>46</b>	—
	<b>1,051</b>	2,410

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
(a) Finance cost:		
Finance charges on obligations under finance leases	<b>874</b>	753
Interest payable on bank loans and overdrafts	<b>14,873</b>	13,655
	<b>15,747</b>	14,408
(b) Other items:		
Cost of inventories	<b>351,979</b>	284,269
Staff costs (including retirement costs of \$2,088,000 (2000: \$1,363,000))	<b>84,469</b>	72,237
Auditors' remuneration	<b>578</b>	527
Depreciation		
- owned assets	<b>24,094</b>	22,664
- assets held under finance leases	<b>1,614</b>	1,419
Operating lease charges for land and buildings	<b>340</b>	240

## 6 TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for Hong Kong profits tax for the year	<b>31</b>	523
Underprovision in respect of prior years	—	314
Tax refund relating to prior year	—	(390)
	<b>31</b>	447
Provision for PRC tax	<b>7,383</b>	1,723
	<b>7,414</b>	2,170

The provision for Hong Kong profits tax is calculated at 16% on the estimated assessable profits for the year.

Provision for PRC tax is provided for at the applicable rate of taxation for the year on the estimated assessable profits arising in the relevant PRC jurisdiction during the year.

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 6 TAXATION (Continued)

No provision for taxation has been made in the accounts of the Company as the Company did not earn any income subject to Hong Kong profits tax during the year.

(b) Taxation in the consolidated balance sheet represents:

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for Hong Kong profits tax for the year	<b>31</b>	523
Provisional profits tax paid	<b>(560)</b>	(304)
	<b>(529)</b>	219
Balance of profits tax recoverable relating to prior year	<b>(38)</b>	(39)
	<b>(567)</b>	180
PRC income tax payable	<b>1,965</b>	1,732
	<b>1,398</b>	1,912

## 7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees	<b>90</b>	90
Salaries, allowances and benefits in kind	<b>3,649</b>	2,866
	<b>3,739</b>	2,956

Included in the Directors' remuneration were fees of \$90,000 (2000: \$90,000) paid to Independent Non-Executive Directors during the year.

The Directors' remuneration is within the following bands:

	<b>Number of Directors 2001</b>	<b>Number of Directors 2000</b>
Nil to \$1,000,000	<b>8</b>	8



# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*  
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## 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2000: two) are Directors whose emoluments are disclosed in note 7. The aggregate of the emoluments of the other two (2000: three) individuals are as follows:

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries, allowances and benefits in kind	<b>2,201</b>	2,880
Discretionary bonuses	—	—
	<b>2,201</b>	2,880

The emoluments of the above two (2000: three) individuals with the highest emoluments are within the following bands:

	<b>Number of</b>	<b>Number of</b>
	<b>individuals</b>	<b>individuals</b>
	<b>2001</b>	<b>2000</b>
Nil to \$1,000,000	<b>1</b>	2
\$1,000,001 to \$1,500,000	<b>1</b>	1

## 9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of \$7,793,000 (2000: \$7,790,000) which has been dealt with in the accounts of the Company.

## 10 DIVIDENDS

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend paid of 2.0 cents per share (2000: 1.0 cent)	<b>4,450</b>	2,225
Proposed final dividend of 1.5 cents per share (2000: 2.5 cents)	<b>3,338</b>	5,563
	<b>7,788</b>	7,788

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*  
(Expressed in Hong Kong dollars)

## 11 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$18,559,000 (2000: \$18,528,000) and on the weighted average of 222,529,000 (2000: 222,529,000) shares in issue during the year.

### (b) Diluted earnings per share

There was no potential dilution of earnings per share during 2001 and 2000.

## 12 FIXED ASSETS

### Group

	Properties		Machinery		Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles		Total
	Land and buildings	under development	Owned	Leased				Owned	Leased	
	\$'000	\$'000	\$'000	\$'000				\$'000	\$'000	
Cost:										
At 1st April, 2000	194,284	—	207,225	17,663	6,265	20,063	11,152	10,319	3,456	470,427
Additions	2,613	8,718	20,174	11,500	970	820	5,148	1,414	—	51,357
Disposals	—	—	(273)	—	(390)	(103)	(47)	(2,137)	(2,148)	(5,098)
Reclassification	—	—	3,493	(3,493)	—	—	—	—	—	—
At 31st March, 2001	196,897	8,718	230,619	25,670	6,845	20,780	16,253	9,596	1,308	516,686
Aggregate depreciation:										
At 1st April, 2000	25,247	—	75,774	3,150	2,657	13,642	7,834	6,678	859	135,841
Charge for the year	5,841	—	13,115	923	532	1,332	1,436	1,838	691	25,708
Written back on disposal	—	—	(105)	—	(117)	(70)	(36)	(2,086)	(1,289)	(3,703)
Reclassification	—	—	199	(199)	—	—	—	—	—	—
At 31st March, 2001	31,088	—	88,983	3,874	3,072	14,904	9,234	6,430	261	157,846
Net book value:										
At 31st March, 2001	165,809	8,718	141,636	21,796	3,773	5,876	7,019	3,166	1,047	358,840
At 31st March, 2000	169,037	—	131,451	14,513	3,608	6,421	3,318	3,641	2,597	334,586

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*  
(Expressed in Hong Kong dollars)

## 12 FIXED ASSETS (Continued)

(a) The analysis of cost of land and buildings is as follows:

	<b>2001</b>	<b>2000</b>
	<i>\$'000</i>	<i>\$'000</i>
Situated in Hong Kong and held under medium term leases	<b>120,363</b>	120,363
Situated outside Hong Kong and held under medium term leases	<b>76,534</b>	73,921
	<b>196,897</b>	194,284

(b) The Group leases production plant and machinery under finance leases expiring from one to four years. At the end of the lease term, the Group has the option to purchase the plant and machinery at a price deemed to be a bargain purchase option.

## 13 INTEREST IN SUBSIDIARIES

	<b>Company</b>	
	<b>2001</b>	<b>2000</b>
	<i>\$'000</i>	<i>\$'000</i>
Unlisted shares, at cost	<b>82,360</b>	82,360
Amounts due from subsidiaries	<b>47,858</b>	50,128
	<b>130,218</b>	132,488

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Particulars of issued capital	Percentage of capital held by Company		Principal activities
			Directly	Indirectly	
New Island Printing Company Limited	Hong Kong	2 ordinary shares of \$100 each  10,000 non-voting deferred shares of \$100 each	—	100	Printing business

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 13 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Particulars of issued capital	Percentage of capital held by Company		Principal activities
			Directly	Indirectly	
Sonic Manufacturing Company Limited	Hong Kong	2 ordinary shares of \$100 each  1,000 non-voting deferred shares of \$100 each	—	100	Sub-contracting in printing and packaging
Dongguan New Island Printing Company Limited	PRC	Registered capital of \$52,250,000	—	100	Production and distribution of paper products
Shanghai New Island Packaging Printing Company Limited	PRC	Registered capital of US\$5,700,000	—	100	Production and distribution of paper products
New Island Property (B.V.I.) Limited	The British Virgin Islands	1 share of US\$1	—	100	Investment holding
New Island Holdings (B.V.I.) Limited	The British Virgin Islands	1,100 shares of US\$1 each	100	—	Investment holding
New Island Property Limited	Hong Kong	2 ordinary shares of \$1 each	—	100	Property holding

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*  
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## 14 INVENTORIES

	Group	
	2001	2000
	\$'000	\$'000
Raw materials	43,455	34,929
Work in progress	32,867	17,097
Finished goods	4,620	10,363
	80,942	62,389

## 15 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to \$333,000 (2000: \$330,000), are expected to be recovered within one year.

Included in trade debtors, prepayments and deposits are trade debtors with the following ageing analysis:

	Group		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Current	50,084	38,454	—	—
One to three months overdue	32,508	30,098	—	—
More than three months overdue	14,889	13,581	—	—
	97,481	82,133	—	—

Debts are due within 30 to 90 days from the date of billing.

## 16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Deposits with bank	2,323	—	—	—
Cash at bank and in hand	28,057	14,384	35	35
	30,380	14,384	35	35

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 17 BANK LOANS, OVERDRAFTS AND OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2001, the bank loans, overdrafts and obligations under finance leases were repayable as follows:

	<b>Bank loans and overdrafts</b>	<b>Obligations under finance leases</b>	<b>Group 2001 Total</b>	<b>2000 Total</b>
	\$'000	\$'000	\$'000	\$'000
Within one year	125,237	5,100	<b>130,337</b>	113,540
After one but within two years	28,288	3,263	<b>31,551</b>	28,602
After two but within five years	28,854	4,710	<b>33,564</b>	6,982
	57,142	7,973	<b>65,115</b>	35,584
	182,379	13,073	<b>195,452</b>	149,124

At 31st March, 2001, the bank loans and overdrafts were secured as follows:

	<b>2001 \$'000</b>	<b>2000 \$'000</b>
Bank overdrafts		
- secured	<b>16,816</b>	10,414
- unsecured	<b>29,383</b>	27,152
	<b>46,199</b>	37,566
Bank loans		
- secured	<b>121,013</b>	75,664
- unsecured	<b>15,167</b>	28,700
	<b>136,180</b>	104,364
	<b>182,379</b>	141,930

Certain banking facilities and loans granted to the Group are secured by mortgages over the Group's land, buildings and machinery with an aggregate carrying value of \$247,218,000 (2000: \$243,561,000) at 31st March, 2001. Such banking facilities, amounting to \$168,930,000 (2000: \$105,663,000) were utilized to the extent of \$142,086,000 (2000: \$79,677,000) at 31st March, 2001.

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 18 TRADE CREDITORS AND ACCRUED CHARGES

Included in trade creditors and accrued charges are trade creditors with the following ageing analysis:

	Group		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current	29,732	24,189	—	—
One to three months overdue	16,836	12,782	—	—
More than three months overdue	3,247	1,441	—	—
	<b>49,815</b>	38,412	—	—

## 19 BILLS PAYABLE

Ageing analysis of bills payables are as follows:

	Group		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Due within one month	13,591	12,524	—	—
Due after one month but within two months	16,331	7,351	—	—
Due after two months but within three months	10,706	5,645	—	—
	<b>40,628</b>	25,520	—	—

## 20 LOAN FROM A DIRECTOR

The loan from a director was interest free, unsecured and has been fully repaid during the year.

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 21 DEFERRED TAXATION

Major components of the unprovided potential liabilities are:

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Depreciation allowances in excess of the related depreciation	<b>19,150</b>	16,880
Other timing differences	<b>(493)</b>	(560)
	<b>18,657</b>	16,320

The Directors consider that these potential liabilities will not crystallise in the foreseeable future as the timing differences will be replaced by similar timing differences from the Group's capital expenditure in the coming years and thus not reverse. Accordingly, no provision for deferred taxation has been made.

## 22 SHARE CAPITAL

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Authorised:</i>		
380,000,000 shares of \$0.1 each	<b>38,000</b>	38,000
<i>Issued and fully paid:</i>		
222,529,000 shares of \$0.1 each	<b>22,253</b>	22,253

Under the Company's Share Option Scheme, the Directors of the Company may, at their discretion, invite any employees, including directors, of any company in the Group, to take up options to subscribe for shares at a price to be determined by the Board of Directors of the Company, which will not be less than 80 per cent. of the average closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days preceding the date of offer of the option or the nominal value of the shares if higher. The maximum number of shares in respect of which options may be granted may not exceed 10 per cent. of the issued share capital of the Company. The options are exercisable for a period of up to three years commencing on the expiry of six months after the date on which the option is accepted. The Share Option Scheme remains in force for a period of 10 years commencing on 25th March, 1993.

No option was granted or exercised during the year or outstanding at 31st March, 2001.



# NOTES ON THE ACCOUNTS

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*(Expressed in Hong Kong dollars)*

## 23 RESERVES

### (a) Group

	Share premium \$'000	Exchange reserve \$'000	Statutory surplus reserves \$'000	Retained profits \$'000	Total \$'000
At 1st April, 1999	37,741	(3,207)	—	177,705	212,239
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	—	(1,783)	—	—	(1,783)
Transfer	—	—	3,105	(3,105)	—
Profit for the year	—	—	—	18,528	18,528
Dividend	—	—	—	(7,788)	(7,788)
<b>At 31st March, 2000</b>	<b>37,741</b>	<b>(4,990)</b>	<b>3,105</b>	<b>185,340</b>	<b>221,196</b>
At 1st April, 2000	37,741	(4,990)	3,105	185,340	221,196
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	—	(736)	—	—	(736)
Transfer	—	—	3,573	(3,573)	—
Profit for the year	—	—	—	18,559	18,559
Dividend	—	—	—	(7,788)	(7,788)
<b>At 31st March, 2001</b>	<b>37,741</b>	<b>(5,726)</b>	<b>6,678</b>	<b>192,538</b>	<b>231,231</b>

The exchange reserves have been set up and will be dealt with in accordance with the accounting policies adopted for foreign currency translation.

According to the prevailing PRC Company Law and the PRC subsidiaries' articles of association, the PRC subsidiaries are required to transfer a certain percentage of its profit after taxation to statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital of the PRC subsidiaries. The transfer to this reserve has to be made before distribution of dividend to shareholders.

The statutory surplus reserves can be used to make good previous years' losses, and not distributable to shareholders.

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 23 RESERVES (Continued)

### (b) Company

	Share Contributed		Retained	Total
	premium	surplus	profits	
	\$'000	\$'000	\$'000	\$'000
At 1st April, 1999	37,741	67,360	(495)	104,606
Profit for the year	—	—	7,790	7,790
Dividend	—	—	(7,788)	(7,788)
At 31st March, 2000	37,741	67,360	(493)	104,608
At 1st April, 2000	37,741	67,360	(493)	104,608
Profit for the year	—	—	7,793	7,793
Dividend	—	—	(7,788)	(7,788)
At 31st March, 2001	37,741	67,360	(488)	104,613

The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1993 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act 1981 of Bermuda (as amended) and the bye-laws of the Company, the contributed surplus is distributable to shareholders.

The Company's reserves available for distribution to shareholders at 31st March, 2001 are \$66,872,000 (2000: \$66,867,000).

## 24 CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of \$260 million (2000: \$209 million) granted to a subsidiary, of which \$216 million (2000: \$139 million) was utilised at 31st March, 2001.

# NOTES ON THE ACCOUNTS

*For the year ended 31st March, 2001*

*(Expressed in Hong Kong dollars)*

## 25 COMMITMENTS

- (a) **Capital commitments outstanding at 31st March, 2001 not provided for in the accounts were as follows:**

At 31st March, 2001, the Group had outstanding commitments in respect of the acquisition of land and construction of fire fighting system of \$6,547,000 and \$123,000 respectively (2000: acquisition of plant and machinery of \$23,673,000).

- (b) **Commitments under operating leases**

At 31st March, 2001, the Group had commitments under operating leases in respect of land and buildings to make payments in the next year as follows:

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Leases expiring:</b>		
Within one year	<b>246</b>	—
After one year but within five years	<b>120</b>	240
	<b>366</b>	240

## 26 RETIREMENT SCHEMES

Prior to December 2000, the Group operates a defined contribution staff provident fund scheme (the "Scheme") for all qualifying employees. The Group is required to make contributions to the Scheme equal to 5% of the salaries of the employees who are eligible to join the Scheme. The assets of the Scheme are held separately from those of the Group in independently administered funds.

Where there are employees who leave the Scheme prior to full vesting of the contributions, in accordance with the rules of the Scheme, the forfeited employer's contributions are used to reduce the level of the Group's contributions. The amount utilised by the Group during the year was \$231,000 (2000: \$231,000). No such amount is available for use at 31st March, 2001.

In December 2000, the Group established a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees. All the existing members of the Scheme were transferred to the MPF Scheme.

The Company's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee and in accordance the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

The Group's contributions to the two schemes for the year are charged to the profit and loss account, amounted to \$2,088,000 (2000: \$1,363,000).

# NOTES ON THE ACCOUNTS

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*For the year ended 31st March, 2001*  
*(Expressed in Hong Kong dollars)*

## **27 RELATED PARTY TRANSACTION**

During the year, the Group entered into transaction with companies which are controlled by an Independent Non-Executive Director amounting to \$13,784,000 (2000: \$8,546,000), under normal commercial terms.

Apart from the above, the Group had no other material related party transaction during the year.

## **28 ULTIMATE HOLDING COMPANY**

The Directors consider the ultimate holding company at 31st March, 2001 to be Ka Chau Enterprises (B.V.I.) Ltd, incorporated in the British Virgin Islands.