

# NOTES TO THE FINANCIAL STATEMENTS

## 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 manufacture of paper and carton boxes
- trading of paper
- manufacture of corrugated cartons

## 2. 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 disclosure 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.

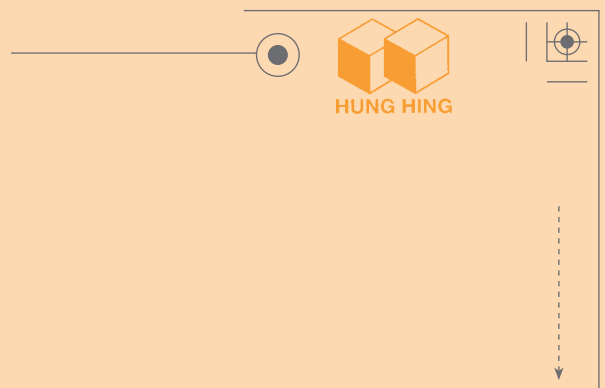
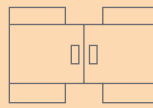
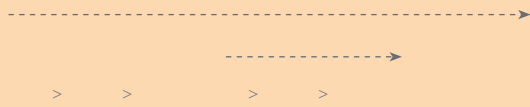
### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired during the year are consolidated from their effective dates of acquisition. 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. Interests in subsidiaries are stated at cost or directors' valuation based on the fair values ascribed to the net underlying assets of the subsidiaries acquired at the date of acquisition, unless there have been permanent diminutions in values when they are written down to values determined by the directors. The surplus of such valuation over the cash consideration paid has been credited to the revaluation reserve of the Company and to the capital reserve on consolidation of the Group.





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

### 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 are 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 provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

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 stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

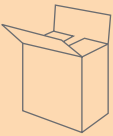
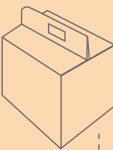
### Goodwill/discount on acquisition

Goodwill/discount on acquisition arising on consolidation of subsidiaries and acquisition of associates represents the excess/deficit of purchase consideration paid for the subsidiaries or associates over the fair values ascribed to the net underlying assets acquired and is eliminated against/credited to reserves in the year of acquisition.

Upon disposal of such subsidiaries and associates, the relevant portion of attributable goodwill/discount on acquisition previously eliminated against/credited to reserves is accounted for in arriving at the gain or loss on disposal of the investment.

### Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. 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.



## NOTES TO THE FINANCIAL STATEMENTS

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

#### Fixed assets and depreciation (continued)

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

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. All land use rights, which are situated in 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

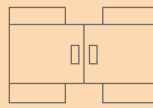
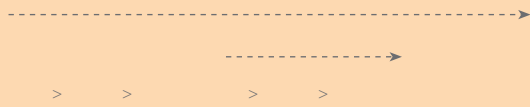
Properties under construction represent the cost of construction of a factory building on sites in the PRC whose land use rights have been acquired by the Group. The properties under construction are transferred to fixed assets upon their completion.

#### 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 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.

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





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

### Long term investments

Securities which are intended to be held on a continuing basis are classified as investment securities and are carried at cost less provisions for diminutions in their values which are expected to be other than temporary. Provisions for diminutions in values are recognised as expenses charged to the profit and loss account. Where the circumstances and events which led to a write-down cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the write-down previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

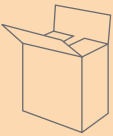
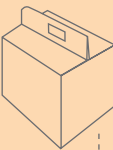
Securities which are not classified as investment securities are classified as other investments. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual basis. Unlisted securities are stated at their estimated fair values on an individual basis. The gains and losses arising from changes in fair value of a 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 further costs expected to be incurred to completion and disposal, or on management estimates based on prevailing market conditions.

### 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. 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) 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 is established.

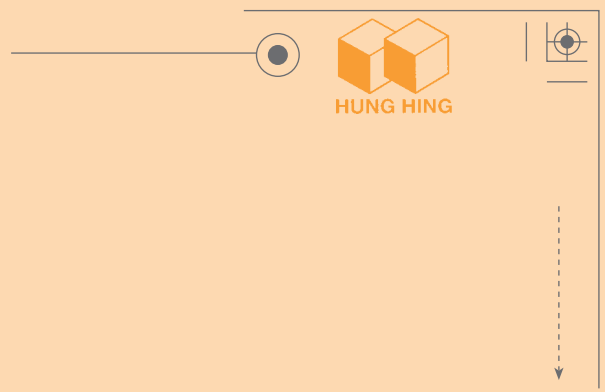
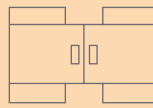
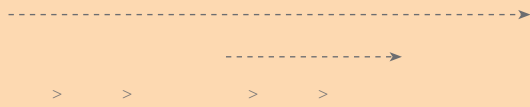
#### Staff retirement scheme

The Group operated 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.

Besides, 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 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.





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

### 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.

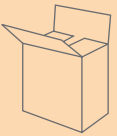
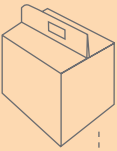
On consolidation, the financial statements of the subsidiaries registered in the PRC, stated in Reminbi, are translated into Hong Kong dollars using the temporal method. Most of the products of these subsidiaries are provided for export to Hong Kong, and the currency in which the majority of the trading 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 Hong Kong dollars.

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.



## NOTES TO THE FINANCIAL STATEMENTS

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

#### 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.

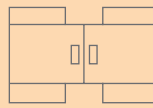
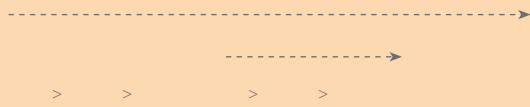
### 3. TURNOVER AND REVENUE

Turnover represents invoiced sales, net of returns and allowances.

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Turnover – sale of goods	<b>1,800,162</b>	1,622,512
Dividend income from listed equity investments	<b>322</b>	1,080
Interest income	<b>14,339</b>	12,182
Gain on disposal of long term listed equity investments	–	3,862
Exchange gains, net	–	1,160
Sundry income	<b>8,055</b>	5,020
Other revenue	<b>22,716</b>	23,304
Total revenue	<b>1,822,878</b>	1,645,816

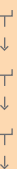
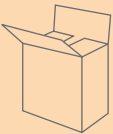
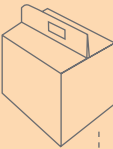




#### 4. PROFIT FROM OPERATING ACTIVITIES

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

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Depreciation:		
Owned assets	<b>54,047</b>	51,576
Leased assets	<b>245</b>	349
Auditors' remuneration	<b>1,518</b>	1,598
Staff costs (including directors' remuneration – note 5):		
Staff retirement contributions	<b>2,882</b>	2,607
Less: Forfeited contributions	<b>(390)</b>	(241)
Net staff retirement contributions	<b>2,492</b>	2,366
Wages, salaries and other allowances	<b>215,439</b>	194,413
Total staff costs	<b>217,931</b>	196,779
Operating lease rentals in respect of land and buildings	<b>3,072</b>	4,046
Provision for bad and doubtful debts	<b>9,987</b>	19,236
Unrealised losses on listed equity investments	<b>1,513</b>	6,021
Loss/(gain) on disposal of fixed assets	<b>879</b>	(249)
Exchange losses, net	<b>2,513</b>	–





## NOTES TO THE FINANCIAL STATEMENTS

### 5. DIRECTORS' REMUNERATION

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

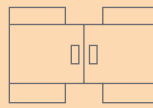
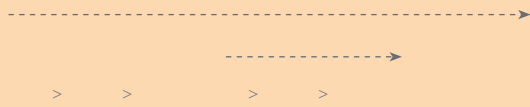
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive	—	—
Non-executive*	390	390
Other emoluments:		
Executive:		
Salaries, allowances and benefits in kind	12,680	9,531
Retirement scheme contributions	410	387
Discretionary bonuses paid and payable	14,632	11,772
	<b>28,112</b>	<b>22,080</b>

\* Fees include HK\$190,000 (2000: HK\$190,000) payable to independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	9	7
HK\$3,500,001 – HK\$4,000,000	1	—
HK\$4,000,001 – HK\$4,500,000	—	1
HK\$5,000,001 – HK\$5,500,000	1	—
HK\$6,500,001 – HK\$7,000,000	—	1
HK\$7,000,001 – HK\$7,500,000	1	—
HK\$10,500,001 – HK\$11,000,000	—	1
HK\$11,000,001 – HK\$11,500,000	1	—
	<b>13</b>	<b>10</b>

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



## 6. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2000: three) directors, details of whose remuneration are set out in note 5 above. The details of the remuneration of the remaining one (2000: two) non-director, highest paid employee are set out below.

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>1,090</b>	1,683
Retirement scheme contributions	<b>44</b>	70
Discretionary bonuses paid and payable	<b>1,833</b>	2,754
	<b>2,967</b>	4,507

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

	<b>Number of employees</b>	
	<b>2001</b>	2000
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,500,001 – HK\$3,000,000	<b>1</b>	1
	<b>1</b>	2

## 7. FINANCE COSTS

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank loans	<b>13,395</b>	6,948
Finance leases	<b>94</b>	139
Total finance costs	<b>13,489</b>	7,087



## NOTES TO THE FINANCIAL STATEMENTS

### 8. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Tax on profits assessable elsewhere has 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. No provision for tax was made for the associate for the year ended 31 March 2000 as it had no assessable profits for that year.

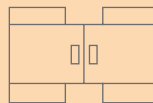
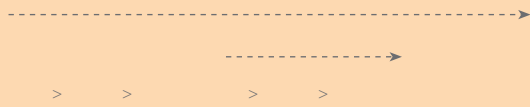
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The Group:		
The PRC, Hong Kong	<b>19,994</b>	17,431
The PRC, elsewhere	<b>22,647</b>	11,833
Deferred tax (note 25)	<b>2,075</b>	2,308
	<b>44,716</b>	31,572
Associates:		
The PRC, excluding Hong Kong	<b>1,669</b>	–
Tax charge for the year	<b>46,385</b>	31,572

### 9. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the year dealt with in the financial statements of the Company is HK\$169,320,000 (2000: HK\$142,468,000). The Group's share of aggregate losses retained by the associates for the year amounted to HK\$1,337,000 (2000: profits of HK\$13,008,000).

### 10. DIVIDENDS

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interim dividend of HK9.5 cents (2000: HK8 cents) per ordinary share	<b>54,510</b>	46,163
Proposed final dividend of HK19 cents (2000: HK18 cents) per ordinary share	<b>108,869</b>	103,283
	<b>163,379</b>	149,446



## 11. 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\$273,663,000 (2000: HK\$251,030,000) and the weighted average of 573,794,798 (2000: 576,407,062) shares in issue during the year.

### (b) Diluted earnings per share

Diluted earnings per share for the year ended 31 March 2001 and 2000 have not been presented as there were no dilutive potential ordinary shares in existence during the year.

## 12. FIXED ASSETS

### Group

	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At beginning of year	282,360	598,168	23,430	49,584	953,542
Additions	1,204	51,007	4,352	3,719	60,282
Transfer from properties under construction (note 14)	35,714	4,952	—	2,474	43,140
Disposals	—	(6,372)	(1,291)	(128)	(7,791)
At 31 March 2001	319,278	647,755	26,491	55,649	1,049,173
Accumulated depreciation:					
At beginning of year	34,152	231,708	13,537	20,885	300,282
Provided during the year	7,177	39,771	3,177	4,167	54,292
Disposals	—	(3,002)	(1,125)	(82)	(4,209)
At 31 March 2001	41,329	268,477	15,589	24,970	350,365
Net book value:					
At 31 March 2001	277,949	379,278	10,902	30,679	698,808
At 31 March 2000	248,208	366,460	9,893	28,699	653,260



## NOTES TO THE FINANCIAL STATEMENTS

### 12. FIXED ASSETS (continued)

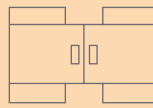
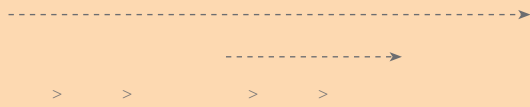
An analysis of the cost of the Group's leasehold land and buildings at the balance sheet date is as follows:

	2001 HK\$'000	2000 HK\$'000
Hong Kong – medium term leases	<b>107,323</b>	106,147
The PRC, under land use rights valid for 50 years from 28 May 1992	<b>75,646</b>	75,646
The PRC, under land use rights valid for 30 years from 17 December 1996	<b>71,837</b>	36,455
The PRC, under land use rights valid for 50 years from 24 March 1997	<b>64,472</b>	64,112
	<b><u>319,278</u></b>	<u>282,360</u>

#### Company

	Leasehold land and buildings HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost:				
At beginning of year	14,981	3,892	700	19,573
Additions	–	422	85	507
At 31 March 2001	<u>14,981</u>	<u>4,314</u>	<u>785</u>	<u>20,080</u>
Accumulated depreciation:				
At beginning of year	340	2,777	483	3,600
Provided during the year	374	440	66	880
At 31 March 2001	<u>714</u>	<u>3,217</u>	<u>549</u>	<u>4,480</u>
Net book value:				
At 31 March 2001	<u>14,267</u>	<u>1,097</u>	<u>236</u>	<u>15,600</u>
At 31 March 2000	<u>14,641</u>	<u>1,115</u>	<u>217</u>	<u>15,973</u>

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



## 12. FIXED ASSETS (continued)

Certain leasehold land and buildings, and, plant and machinery of the Group's subsidiaries with a total net book value of HK\$69,760,000 (2000: certain leasehold land and building of HK\$60,381,000) have been pledged to a bank to secure certain short term bank loans (note 23).

The net book value of the fixed assets of the Company and the Group held under finance leases included in the total amount of fixed assets at 31 March 2001 was HK\$571,000 (2000: HK\$816,000).

## 13. LONG TERM INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted equity investments, at fair value	200	200	—	—
Club debentures, at fair value	1,179	1,179	619	619
	<b>1,379</b>	1,379	<b>619</b>	619
Hong Kong listed equity investments, at fair value	4,315	5,828	—	—
	<b>5,694</b>	7,207	<b>619</b>	619
Market value of listed equity investments at 31 March	<b>4,315</b>	5,828	—	—

## 14. PROPERTIES UNDER CONSTRUCTION

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	34,187	10,760
Additions	39,898	23,775
Transfer to fixed assets (note 12)	(43,140)	(348)
At 31 March	<b>30,945</b>	34,187

The properties under construction are located in the PRC.



NOTES TO THE FINANCIAL STATEMENTS

15. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at valuation	<b>142,043</b>	142,043
Due from subsidiaries	<b>303,404</b>	358,233
Due to subsidiaries	<b>(28,272)</b>	(140)
	<b>417,175</b>	500,136

The balances with subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

<b>Name</b>	<b>Place of incorporation/ registration</b>	<b>Issued and fully paid ordinary share capital/ registered capital</b>	<b>Percentage of equity attributable to the Company</b>		<b>Principal activities</b>
			<b>Direct</b>	<b>Indirect</b>	
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK\$100	100	–	Paper and carton box printing and manufacture
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*	People's Republic of China	HK\$80,000,000	–	100	Production and colour printing of paper products



## 15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hung Hing Paper Products (Shenzhen) Limited*	People's Republic of China	HK\$38,000,000	100	—	Printing and manufacture of paper cartons
Zhongshan Hung Hing Printing & Packaging Company Limited*	People's Republic of China	US\$12,800,000	—	56	Printing and manufacture of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited*	People's Republic of China	US\$5,000,000	—	56	Production and colour printing of paper products
Hung Hing International Limited	British Virgin Islands	US\$100	100	—	Investment holding and the provision of processing services
Southern City Limited	British Virgin Islands	US\$100	—	56	Dormant
Beluga Limited	Hong Kong	HK\$2	100	—	Dormant
South Gain Enterprises Limited	Hong Kong	HK\$10,000	—	56	Selling and purchasing agent

The subsidiaries' operations 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 2000 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 2001 based on the audited financial statements for the year ended 31 December 2000 and their unaudited management accounts for the three months ended 31 March 2001.



NOTES TO THE FINANCIAL STATEMENTS

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	118,213	78,047
Share of net assets other than goodwill	141,764	102,935	—	—
	<b>141,764</b>	<b>102,935</b>	<b>118,213</b>	<b>78,047</b>

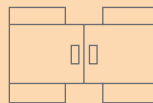
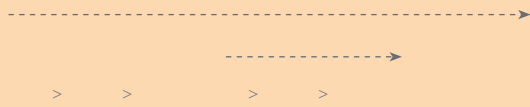
The Group's share of the post-acquisition retained profits of the associates accounted for in these financial statements was HK\$23,551,000 (2000: HK\$24,888,000).

Particulars of the associates are as follows:

Name	Business Structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the		Principal activities
			Group 2001	Group 2000	
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Corporate	People's Republic of China	35	35	Manufacture of paper
Zhongshan Ren Hing Paper Manufacturing Company Limited	Corporate	People's Republic of China	35	—	Manufacture 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.





### 17. DUE FROM/(TO) AN ASSOCIATE

The Group's amount due from the associate is unsecured, bears interest at prime rate for balances due over three months (2000: prime rate for balances due over three months) and has no fixed terms of repayment.

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

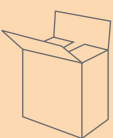
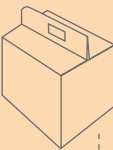
### 18. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	207,889	220,380
Work in progress	19,691	24,618
Finished goods	15,573	21,074
	<b>243,153</b>	<b>266,072</b>

As at 31 March 2001, there were no inventories stated at net realisable value (2000: Nil).

### 19. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

	Group	
	2001 HK\$'000	2000 HK\$'000
Accounts receivable, net of provisions	386,964	412,594
Bills receivables	—	179
	<b>386,964</b>	<b>412,773</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 19. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE (continued)

The aged analysis of accounts receivable, net of provisions, is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Aged:		
Within 30 days	<b>144,295</b>	147,343
Between 31 to 60 days	<b>106,498</b>	77,662
Between 61 to 90 days	<b>37,172</b>	92,442
Over 90 days	<b>98,999</b>	95,147
	<b>386,964</b>	412,594

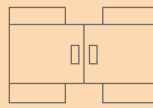
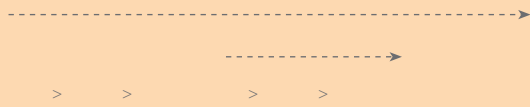
The bills receivable as at 31 March 2000 were aged within three months.

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.

### 20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	<b>46,576</b>	28,275	<b>467</b>	378
Time deposits	<b>261,639</b>	220,281	<b>260,821</b>	220,281
	<b>308,215</b>	248,556	<b>261,288</b>	220,659





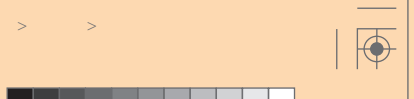
## 21. ACCOUNTS PAYABLE

The aged analysis of accounts payable is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Aged:		
Within 30 days	<b>16,767</b>	26,631
Between 31 to 60 days	<b>4,820</b>	5,440
Between 61 to 90 days	<b>444</b>	1,498
Over 90 days	<b>689</b>	1,011
	<b>22,720</b>	34,580

## 22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trust receipt loans		<b>19,511</b>	92,992	—	—
Current portion of bank loans	23	<b>76,699</b>	53,004	—	—
Current portion of finance lease payables	24	<b>418</b>	373	<b>418</b>	373
		<b>96,628</b>	146,369	<b>418</b>	373



## NOTES TO THE FINANCIAL STATEMENTS

### 23. INTEREST-BEARING BANK LOANS

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans:		
Secured	32,830	43,004
Unsecured	88,963	10,000
	<u>121,793</u>	<u>53,004</u>
Short term bank loans	67,265	53,004
Long term bank loans repayable		
Within one year	9,434	—
In the second year	9,434	—
In the third to fifth years, inclusive	35,660	—
	<u>54,528</u>	<u>—</u>
	<b>121,793</b>	53,004
Portion classified as current liabilities (note 22)	<b>(76,699)</b>	(53,004)
Long term portion	<u>45,094</u>	<u>—</u>

As at 31 March 2001, short term bank loans of HK\$32,830,000 are secured by pledge of leasehold land and buildings, and, plant and machinery of the Group's subsidiaries (note 12). As at 31 March 2000, short term bank loans of HK\$43,004,000 was secured by pledge of leasehold land and building of the Group's subsidiaries.

### 24. FINANCE LEASE PAYABLES

There were obligations under non-cancellable finance leases at the balance sheet date as follows:

	Group and Company	
	2001 HK\$'000	2000 HK\$'000
Amounts payable:		
Within one year	466	466
In the second year	254	466
In the third to fifth years, inclusive	—	254
Total minimum lease payments	<u>720</u>	1,186
Future finance charges	<u>(57)</u>	(151)
Total net lease payables	<b>663</b>	1,035
Portion classified as current liabilities (note 22)	<b>(418)</b>	(373)
Long term portion of finance lease payables	<u>245</u>	<u>662</u>



## 25. DEFERRED TAX

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	8,653	6,345	121	121
Provided during the year (note 8)	2,075	2,308	—	—
At 31 March	<b>10,728</b>	8,653	<b>121</b>	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	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>Group</b>				
Accelerated depreciation allowances	12,708	9,523	5,310	4,926
Others	(1,980)	(870)	—	—
	<b>10,728</b>	8,653	<b>5,310</b>	4,926
<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.

## NOTES TO THE FINANCIAL STATEMENTS

### 26. SHARE CAPITAL

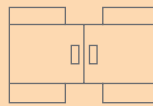
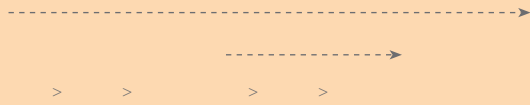
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>Number</b>	Number	<b>HK\$'000</b>	HK\$'000
	<b>of shares</b>	of shares		
Authorised ordinary shares of HK\$0.10 each	<b>800,000,000</b>	800,000,000	<b>80,000</b>	80,000
Issued and fully paid ordinary shares of HK\$0.10 each:				
At beginning of year	<b>573,794,798</b>	577,388,798	<b>57,379</b>	57,739
Repurchases of shares	—	(3,594,000)	—	(360)
At 31 March	<b>573,794,798</b>	573,794,798	<b>57,379</b>	57,379

Subsequent to the balance sheet date, in May 2001, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited as detailed in note 31 to the financial statements.

### 27. RESERVES

#### Group

	<b>Share premium</b>	<b>Capital redemption reserve</b>	<b>Capital reserve</b>	<b>Legal reserves</b>	<b>Retained profits</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 1999	590,690	427	104,289	25,570	387,460	1,108,436
Net profit attributable to shareholders	—	—	—	—	251,030	251,030
Dividends	—	—	—	—	(149,446)	(149,446)
Appropriation of retained profits to legal reserves	—	—	—	11,492	(11,492)	—
Share repurchases	—	360	—	—	(360)	—
Premium paid in respect of share repurchases	—	—	—	—	(9,558)	(9,558)
At 31 March 2000 and 1 April 2000	590,690	787	104,289	37,062	467,634	1,200,462
Net profit attributable to shareholders	—	—	—	—	273,663	273,663
Dividends	—	—	—	—	(163,379)	(163,379)
Appropriation of retained profits to legal reserves	—	—	—	11,007	(11,007)	—
At 31 March 2001	590,690	787	104,289	48,069	566,911	1,310,746



## 27. RESERVES (continued)

### Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	590,690	427	104,043	56,434	751,594
Net profit attributable to shareholders	—	—	—	142,468	142,468
Dividends	—	—	—	(149,446)	(149,446)
Share repurchases	—	360	—	(360)	—
Premium paid in respect of share repurchases	—	—	—	(9,558)	(9,558)
At 31 March 2000 and 1 April 2000	590,690	787	104,043	39,538	735,058
Net profit attributable to shareholders	—	—	—	169,320	169,320
Dividends	—	—	—	(163,379)	(163,379)
At 31 March 2001	590,690	787	104,043	45,479	740,999

An analysis of retained profits at the end of year is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
The Company and subsidiaries	543,360	442,746
Associates	23,551	24,888
	<b>566,911</b>	<b>467,634</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.





NOTES TO THE FINANCIAL STATEMENTS

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	<b>345,731</b>	291,248
Depreciation	<b>54,292</b>	51,925
Interest income	<b>(14,339)</b>	(12,182)
Dividend income from listed equity investments	<b>(322)</b>	(1,080)
Loss/(gain) on disposal of fixed assets	<b>879</b>	(249)
Gain on disposal of long term listed equity investments	<b>—</b>	(3,862)
Unrealised losses on listed equity investments	<b>1,513</b>	6,021
Decrease/(increase) in amount due from an associate	<b>(27,054)</b>	34,133
Decrease/(increase) in inventories	<b>22,919</b>	(74,017)
Decrease/(increase) in accounts receivable and bills receivable	<b>25,809</b>	(49,623)
Decrease/(increase) in prepayments, deposits and other receivables	<b>6,827</b>	(1,122)
Increase/(decrease) in accounts payable	<b>(11,860)</b>	9,683
Increase/(decrease) in other payables and accrued liabilities	<b>(8,752)</b>	8,519
Net cash inflow from operating activities	<b>395,643</b>	259,394



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

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

	Finance lease payables	Short term bank loans	Long term bank loans	Minority interests	Share capital (including premium)	Retained profits
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 1999	1,363	–	15,514	92,596	648,429	387,460
Cash inflow/(outflow) from financing	(328)	43,004	(15,514)	–	–	–
Net profit attributable to shareholders	–	–	–	–	–	251,030
Dividends	–	–	–	–	–	(149,446)
Appropriation of retained profits to legal reserves	–	–	–	–	–	(11,492)
Share of profit for the year	–	–	–	20,937	–	–
Share repurchases	–	–	–	–	(360)	(360)
Premium paid in respect of share repurchases	–	–	–	–	–	(9,558)
Dividends paid to minority interests	–	–	–	(5,104)	–	–
At 31 March 2000 and at 1 April 2000	1,035	43,004	–	108,429	648,069	467,634
Cash inflow/(outflow) from financing	(372)	24,261	54,528	4	–	–
Net profit attributable to shareholders	–	–	–	–	–	273,663
Dividends	–	–	–	–	–	(163,379)
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	663	67,265	54,528	124,618	648,069	566,911

## NOTES TO THE FINANCIAL STATEMENTS

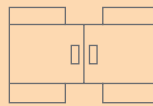
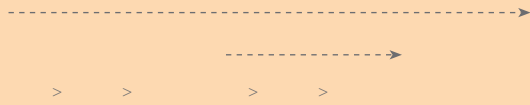
### 29. RELATED PARTY TRANSACTIONS

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

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Sales to an associate	(i)	<b>132,841</b>	109,702
Purchases from an associate	(i)	<b>60,291</b>	61,939
Rentals paid to Perla City Investments Limited, a company beneficially owned by Yum Chak Ming, Matthew	(ii)	<b>600</b>	600
Rentals paid to Gaintek Holdings Limited, a company beneficially owned by Yam Hon Ming, Tommy	(ii)	<b>840</b>	—
Rentals paid to C.H. Yam Holding Limited, a company beneficially owned by Yam Cheong Hung	(iii)	—	48
Interest income received from an associate	(iv)	<b>2,845</b>	2,675
		<b>2,845</b>	2,675

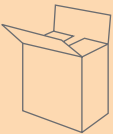
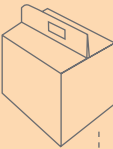
*Notes:*

- (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 usual 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 usual customers of the supplier.
- (ii) The rentals paid to Perla City Investments Limited and Gaintek Holdings Limited were in connection with housing provided to Yum Chak Ming, Matthew and Yam Hon Ming, Tommy respectively, directors of the Company, and were based on estimated open market rentals and have been included in directors' remuneration as detailed in note 5 to the financial statements.
- (iii) The rentals paid to C.H. Yam Holding Limited in connection with housing provided to an employee were based on estimated open market rentals.
- (iv) 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 of which, including the terms, are disclosed in note 17 to the financial statements.



### 30. CONTINGENT LIABILITIES AND COMMITMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) Guarantees given to banks for banking and trading facilities granted to subsidiaries	—	—	<b>586,830</b>	295,447
Amount of banking facilities with the Company's guarantees utilised by subsidiaries	—	—	<b>106,192</b>	20,176
(b) Capital commitments contracted, but not provided for	<b>47,747</b>	34,397	—	—
(c) Annual commitments under non-cancellable operating leases in respect of land and buildings expiring:				
Within one year	<b>570</b>	1,818	<b>165</b>	1,128
In the second to fifth years, inclusive	<b>1,176</b>	396	<b>1,176</b>	396
	<b>1,746</b>	2,214	<b>1,341</b>	1,524



## NOTES TO THE FINANCIAL STATEMENTS

### 31. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month	Number of shares	Price per share		Total cost HK\$'000
		Highest HK\$	Lowest HK\$	
May 2001	800,000	2.80	2.80	2,249

The directors believe that the repurchases are in the best interests of the Company and its shareholders and will lead to an enhancement of the net assets and earnings per share of the Company.

### 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 10 July 2001.

