



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2001

1. **BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants, except that, in this first year of implementation of the standard, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), no comparative amounts have been presented for the condensed consolidated cash flow statement.

2. **PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new/revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has not had any effect on the results for the current or prior accounting periods.

Provisions

In accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

2. **PRINCIPAL ACCOUNTING POLICIES** - continued

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the six months ended 30th June, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life i.e. over periods ranging between 5 and 20 years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Consolidation

SSAP 32 "Consolidated financial statements and accounting for investments in subsidiaries" has introduced a new definition of subsidiary, i.e. an enterprise that is controlled by the Group. In particular, SSAP 32 requires that the Group should consolidate a special purpose entity ("SPE") when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.



3. SEGMENT INFORMATION

Geographical segments

The Group reports its primary segment information on geographic location of the customers and details for the six months ended 30th June, 2001 together with comparative figures for the previous period are presented below:

2001

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
Sales of goods	<u>88,003</u>	<u>43,864</u>	<u>54,043</u>	<u>48,577</u>	<u>4,346</u>	<u>238,833</u>
SEGMENT RESULT	<u>4,067</u>	<u>4,784</u>	<u>4,668</u>	<u>4,522</u>	<u>299</u>	<u>18,340</u>
Unallocated corporate expenses						<u>(1,445)</u>
Profit from operations						<u><u>16,895</u></u>

2000

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
Sales of goods	<u>123,681</u>	<u>55,500</u>	<u>59,148</u>	<u>26,842</u>	<u>13,319</u>	<u>278,490</u>
SEGMENT RESULT	<u>8,468</u>	<u>6,886</u>	<u>7,292</u>	<u>1,199</u>	<u>1,197</u>	<u>25,042</u>
Unallocated corporate expenses						<u>(1,211)</u>
Profit from operations						<u><u>23,831</u></u>

Business segments

As the operations of the Group are in commercial printing, books printing and packaging printing, the revenue and result of the Group are derived from this business segment.

4. **PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging (crediting):

	For the six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Depreciation and amortisation	17,422	14,079
Dividend received from investments in securities	(8)	—
	<u><u> </u></u>	<u><u> </u></u>

5. **TAXATION**

	For the six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	2,000	2,000
Deferred taxation	(800)	—
	<u><u> </u></u>	<u><u> </u></u>
	1,200	2,000

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

The Company's subsidiaries in the People's Republic of China (the "PRC") are exempted from income tax in the PRC for two years starting from the first profit making year followed by a 50 per cent. reduction in the income tax rate in the following three years. No provision for PRC income tax has been made as the PRC subsidiaries had no assessable profit for both periods.

The Group had no significant unprovided deferred taxation for the period or at the balance sheet date.

6. **PROPOSED INTERIM DIVIDEND**

The directors do not recommend the payment of any interim dividend (six months ended 30th June, 2000: HK2 cents per share on 363,032,068 shares).

7. **EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	For the six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Earnings		
Net profit for the period and earnings for the purpose of basic and diluted earnings per share	<u>10,054</u>	<u>16,504</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	365,283,107	278,558,266
Effect of dilutive potential ordinary shares in respect of share options	<u>161,484</u>	<u>5,104,216</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>365,444,591</u>	<u>283,662,482</u>

8. **PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30th June, 2001, the Group acquired property, plant and equipment for an amount of approximately HK\$2,858,000.

9. **TRADE RECEIVABLES**

The Group has a policy of allowing a credit period from 30 days to 120 days to trade customers. The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	30th June, 2001	31st December, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	49,064	46,378
31 to 60 days	38,519	36,629
61 to 90 days	25,977	45,109
91 to 120 days	17,405	19,502
More than 120 days	4,043	14,784
	<u>135,008</u>	<u>162,402</u>

10. **TRADE PAYABLES**

The aged analysis of trade payables prepared on the basis of supplier invoice date is stated as follows:

	30th June, 2001	31st December, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	32,963	21,133
31 to 60 days	23,705	17,439
61 to 90 days	11,673	14,378
91 to 120 days	8,588	8,990
More than 120 days	1,562	515
	<u>78,491</u>	<u>62,455</u>

11. **BORROWINGS**

During the period, the Group obtained a new bank loan in the amount of approximately HK\$17,277,000 to refinance a bank loan of the same amount. The new loan bears interest at prevailing market rates and is repayable within one year. In addition, the Group repaid bank and other borrowings amounting to approximately HK\$62,892,000. Subsequent to the balance sheet date, the Group made early repayment of its bank borrowings amounting to approximately HK\$10,278,000.

12. SHARE CAPITAL

	No. of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
- balance at 1st January, 2001 and 30th June, 2001	1,000,000,000	100,000
Issued and fully paid:		
- balance at 1st January, 2001	364,660,068	36,466
- exercise of share options	630,000	63
- balance at 30th June, 2001	365,290,068	36,529

During the period, 630,000 ordinary shares of HK\$0.10 each in the Company were issued at a price of HK\$0.23 per share upon the exercise of share options granted under the share option scheme of the Company. The shares issued rank pari passu with the then existing shares in all respects.

13. RESERVES

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Investments			Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Goodwill <i>HK\$'000</i>	revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>		
At 1st January, 2000	76,449	24,000	(36,179)	(46)	239	98,200	162,663
Premium arising on issue of shares	56,471	—	—	—	—	—	56,471
Expenses incurred in connection with the issue of shares	(1,679)	—	—	—	—	—	(1,679)
Goodwill realised on disposal of a subsidiary	—	—	2,963	—	—	—	2,963
Realised on disposal of investment in securities	—	—	—	22	—	—	22
Revaluation increase in the year	—	—	—	306	—	—	306
Net profit for the year	—	—	—	—	—	27,594	27,594
Dividend	—	—	—	—	—	(7,284)	(7,284)
At 31st December, 2000	131,241	24,000	(33,216)	282	239	118,510	241,056
Premium arising on issue of shares	82	—	—	—	—	—	82
Revaluation increase in the period	—	—	—	56	—	—	56
Net profit for the period	—	—	—	—	—	10,054	10,054
At 30th June, 2001	131,323	24,000	(33,216)	338	239	128,564	251,248

14. **CAPITAL COMMITMENTS**

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	28,800	—

15. **PLEDGE OF ASSETS**

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

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Leasehold land and buildings	17,356	17,625
Plant and machinery	38,508	75,642
Bank deposits	7,020	24,848
	62,884	118,115

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