

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands on 20th February 2001, as an exempted company with limited liability, under the Companies Law (Revised) of the Cayman Islands.

On 22nd October 2001, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30th October 2001. The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 12th November 2001.

The unaudited condensed interim accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

2. Accounting policies

These unaudited combined condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

During the period, the Group has adopted the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

There is no material impact on the accounts of the Group by the adoption of the SSAPs mentioned above. The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the accountants' report as set out in the Company's prospectus dated 30th October 2001, except as follows:

- (a) Following the revaluation of land and buildings and plant and machinery prior to the listing of the Company's shares on the Main Board of the Stock Exchange, these assets are stated at valuation on an open market value basis. Increases in valuation are credited to asset valuation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the account previously debited.

- (b) Following the adoption of SSAP 30, goodwill arising on acquisition of subsidiaries, jointly controlled entities and associated companies occurring on or after 1st April 2001 is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions, which occurred prior to 1st April 2001 was taken directly to reserves. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31 which requires any impairment loss be recognised as an expense in the profit and loss account immediately and allocated to reduce the carrying amount of the acquired subsidiaries/ associated companies.

3. Segment information

The Group is principally engaged in the manufacture of packaging products, paper gifts items and paper promotional products.

An analysis of the Group's revenue and results for the period by products is as follows:

	Six months ended 30th September 2001			
	HK\$'000			
	Packaging Products	Paper Gifts Items	Promotional Products	Group
Revenues	48,295	16,423	12,838	77,556
Segment results	7,950	8,500	6,440	22,890
Unallocated costs				(5,909)
Operating profit				16,981
Finance costs				(1,757)
Share of profit of an associated company				12
Profit before taxation				15,236
Taxation				(1,433)
Profit attributable to shareholders				13,803

Six months ended 30th September 2000

HK\$'000

	Packaging Products	Paper Gifts Items	Promotional Products	Group
Revenues	<u>58,346</u>	<u>20,838</u>	<u>4,167</u>	<u>83,351</u>
Segment results	<u>10,522</u>	<u>11,253</u>	<u>2,384</u>	24,159
Unallocated costs				<u>(5,891)</u>
Operating profit				18,268
Finance costs				<u>(1,931)</u>
Profit before taxation				16,337
Taxation				<u>(1,307)</u>
Profit attributable to shareholders				<u>15,030</u>

No geographical analysis is presented as less than 10% of the Group's turnover and contribution to operating profit is attributable to markets outside Hong Kong.

4. Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000
Depreciation:		
– owned assets	1,226	818
– assets held under finance leases	<u>2,049</u>	<u>1,504</u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

Overseas taxation represents tax on the estimated assessable income of a subsidiary operating in the People's Republic of China at the prevailing tax rate.

The amount of taxation charged to the combined profit and loss account represents:

	Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	1,218	1,307
Overseas taxation	<u>215</u>	<u>–</u>
	<u>1,433</u>	<u>1,307</u>

6. Earnings per share

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of HK\$13,803,000 (2000: HK\$15,030,000) and the weighted average of 140,000,000 shares (2000: 140,000,000) deemed to be issued during the period.

In determining the weighted average number of shares deemed to be in issue, the 2,666,668 shares credited as fully-paid and as consideration for the acquisition by the Company of the issued capital of New Master Group Limited, the holding company of the Group immediately prior to the Reorganisation and the 137,333,332 shares issued pursuant to the Capitalisation Issue, as set out in note 10, were deemed to have been in issue on 1st April 2000.

No diluted earnings per share is presented as there is no dilutive potential ordinary share during the period.

7. Capital expenditure

Property, plant and equipment HK\$'000

Six months ended 30th September 2001

Net book value as at 1st April 2001	68,879
Additions	1,676
Revaluation surplus	2,203
Depreciation	(3,275)
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Net book value as at 30th September 2001	69,483

8. Trade receivables

Details of the aging analysis are as follows:

	Current HK\$'000	31-60 days HK\$'000	61-90 days HK\$'000	over 90 days HK\$'000	Total HK\$'000
Balance at 30th September 2001	13,802	10,531	6,525	12,564	43,422
Balance at 31st March 2001	7,254	3,025	6,157	10,271	26,707

Customers are generally granted with credit terms of 30 to 90 days.

9. Trade payables

Details of the aging analysis are as follows:

	Current HK\$'000	31-60 days HK\$'000	61-90 days HK\$'000	over 90 days HK\$'000	Total HK\$'000
Balance at 30th September 2001	<u>5,637</u>	<u>5,891</u>	<u>5,316</u>	<u>6,829</u>	<u>23,673</u>
Balance at 31st March 2001	<u>2,722</u>	<u>2,768</u>	<u>2,639</u>	<u>5,020</u>	<u>13,149</u>

10. Share capital

At 30th September 2001, the Reorganisation has not yet been completed and accordingly the combined share capital of all companies now comprising the Group prior to the Reorganisation, after the elimination of certain intra-group holdings as at the balance sheet dates, is presented in lieu of the share capital of the Company for the purpose of this interim report.

The Company was incorporated on 20th February 2001 with an authorised and issued capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each, which was increased to HK\$133,333 on 15th August 2001 by the creation of an additional 333,334 shares of HK\$0.1 each, all of which were issued nil-paid and credited as fully-paid at par.

On 22nd October 2001, the authorised share capital of the Company was increased to HK\$200,000,000 by the creation of an additional 1,998,666,666 shares. As consideration for the acquisition by the Company of the entire issued Capital of New Master Group Limited ("New Master"), the holding company of the Group immediately prior to the Reorganisation, an aggregate 1,333,334 shares of HK\$0.1 each, credited as fully paid, were issued and allotted to the then shareholders of New Master. In November 2001, 40,000,000 shares of HK\$0.1 each were issued to the public at HK\$0.1 each for cash totalling HK\$4,000,000 (the "New Issue"). Immediately after the New Issue, 137,333,332 shares of HK\$0.1 each were issued, allotted at par and fully paid to the shareholders of the Company prior to the New Issue (the "Capitalisation Issue") by way of the capitalisation of a sum of HK\$13,733,333 out of the credit of the share premium account of the Company created as a result of the New Issue.

11. Long-term liabilities

	30th September	31st March
	2001 HK\$'000	2001 HK'000
Secured long-term bank loans are repayable as follows:		
Within one year	4,311	5,053
In the second year	183	297
In the third to fifth year	—	48
	<u>4,494</u>	<u>5,398</u>
Obligations under finance leases are repayable as follows:		
Within one year	5,814	8,773
In the second year	3,785	3,571
In the third to fifth year	7,733	9,481
	<u>17,332</u>	<u>21,825</u>
	21,826	27,223
Current portion of long-term liabilities	<u>(10,125)</u>	<u>(13,826)</u>
	<u>11,701</u>	<u>13,397</u>

Finance lease liabilities – minimum lease payments:

	30th September	31st March
	2001 HK\$'000	2001 HK'000
Within one year	6,849	10,305
In the second year	4,421	4,553
In the third to fifth year	8,377	10,723
	<u>19,647</u>	<u>25,581</u>
Future finance charges on finance leases	<u>(2,315)</u>	<u>(3,756)</u>
Present value of finance lease liabilities	<u>17,332</u>	<u>21,825</u>
The present value of finance lease liabilities is as follows:		
Within one year	5,814	8,773
In the second year	3,785	3,571
In the third to fifth year	7,733	9,481
	<u>17,332</u>	<u>21,825</u>

12. Reserves

Reserves as at the balance sheet dates represent:

	Capital reserve HK\$'000	Exchange reserve HK\$'000	Asset Valuation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1st April 2000	(290)	–	–	55,143	54,853
Exchange differences arising on translation of the accounts of an overseas subsidiary	–	8	–	–	8
Profit attributable to shareholders	–	–	–	26,940	26,940
Goodwill eliminated directly against reserves	–	–	–	(293)	(293)
Dividends	–	–	–	(25,000)	(25,000)
As at 31st March 2001	(290)	8	–	56,790	56,508
Attributable to:					
The Company and its subsidiaries	(290)	8	–	56,797	56,515
An associated company	–	–	–	(7)	(7)
As at 31st March 2001	(290)	8	–	56,790	56,508
As at 1st April 2001	(290)	8	–	56,790	56,508
Surplus on revaluation of property, machinery and equipment	–	–	2,203	–	2,203
Profit attributable to shareholders	–	–	–	13,803	13,803
Dividends	–	–	–	–	–
As at 30th September 2001	(290)	8	2,203	70,593	72,514
Attributable to:					
The Company and its subsidiaries	(290)	8	2,203	70,581	72,502
An associated company	–	–	–	12	12
As at 30th September 2001	(290)	8	2,203	70,593	72,514

13. Contingent liabilities

As at 30th September 2001, the Group had contingent liabilities in respect of discounted bills with recourse amounting to HK\$474,000 (31st March 2001: HK\$388,000).

14. Commitments under operating leases

At 30th September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which expire as follows:

	30th September	Restated 31st March
	2001 HK\$'000	2001 HK\$'000
Within one year	768	642
In the second to fifth year inclusive	371	410
	<u>1,139</u>	<u>1,052</u>

15. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business and are charged at prices mutually agreed, during the period are as follows:

	Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000
Sales to an associated company Anson Printing Group Limited	3,249	1,709
Interest income Beautiking Investments Limited (<i>Note b</i>)	291	354
Rental paid		
Beautiking Investments Limited (<i>Note b</i>)	132	132
Beaumax Company Limited (<i>Note b</i>)	114	114
Glory Motion Company Limited (<i>Note a & b</i>)	114	90

(a) *A director of the Company, Ms. Li Mi Lai, was interested in the above transactions to the extent that she has beneficial interest in the related company.*

(b) *A director of the Company, Mr. Ng Man Chan, was interested in the above transactions to the extent that he has beneficial interests in the related companies.*