



## Notes to the Financial Statements

For the year ended 31st December, 2001

### 1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands ("Companies Law"). Its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 42.

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation. The new and revised SSAPs adopted during the year has not had any material effect on the results of the Group for the current or prior accounting periods.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

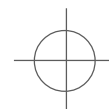
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions of subsidiaries prior to 1st January, 2001 continues to be 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.



### 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### **Goodwill** *(cont'd)*

Goodwill arising on acquisitions of subsidiaries after 1st January, 2001 is capitalised as a separate asset on the balance sheet and amortised on a straight-line basis over its useful economic life.

#### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions of subsidiaries is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

#### **Investment properties**

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

Investment properties are stated at their open market value. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.



## Notes to the Financial Statements *(cont'd)*

For the year ended 31st December, 2001

### 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### **Property, plant and equipment** *(cont'd)*

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives, from the date on which they become fully operational, using the straight-line method, as follows:

Leasehold land	50 years or, if shorter, over the term of the relevant lease
Buildings	20-30 years
Leasehold improvements	Over the term of the relevant lease
Plant and machinery	3-15 years
Furniture and fixtures	3-5 years
Motor vehicles	3-5 years

Assets held under finance leases and hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

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

#### **Properties under development**

Properties under development are stated at cost less any identified impairment loss.

#### **Assets held under finance leases and hire purchase contracts**

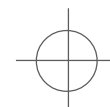
Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

Assets held under finance leases and hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor or hirer, net of interest charges, is included in the balance sheet as obligations under finance leases and hire purchase contracts. Finance costs, which represent the difference between the total finance lease and hire purchase commitments and the original outstanding principal at the inception of the finance lease and hire purchase contracts, are charged to the income statement over the period of the respective leases and contracts so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.



### 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised is included in net profit or loss for the period.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Revenue recognition**

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

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

Sales of investments in securities are recognised when the related bought and sold notes are executed.



## Notes to the Financial Statements *(cont'd)*

For the year ended 31st December, 2001

### 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### **Revenue recognition** *(cont'd)*

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

#### **Taxation**

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

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollar and which operate outside Hong Kong are translated into Hong Kong dollars at the approximate rates ruling on the balance sheet date. Exchange differences arising, if any, are classified as equity and are recognised as income or as expenses in the period in which the operations are disposed of.

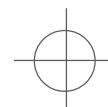
#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

#### **Pension scheme**

The Group participates in a defined contribution retirement benefits scheme and payments are charged as an expense as they fall due. The Group also operates a funded defined benefit pension scheme and the expected costs of providing the pensions, as calculated periodically by professionally qualified actuaries, are charged to the income statement so as to spread the cost over the service lives of employees in the scheme operated by the Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.



#### 4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format and business segments are its secondary reporting format.

##### Geographical segments

The Group's printing business is located in both Hong Kong and the People's Republic of China, other than Hong Kong (the "PRC") while the property business acquired during the year is located in the PRC.

The Group reports its primary segment information by geographical location of its customers who are principally located in Hong Kong, North America, Europe, Australia and New Zealand, and the PRC. Segment information about these geographical markets is presented below:

##### 2001

	Hong Kong	North America	Europe	Australia and New Zealand	PRC	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>							
Sales of goods	173,922	98,080	142,090	90,223	8,881	211	513,407
Property rental income	—	—	—	—	130	—	130
	<u>173,922</u>	<u>98,080</u>	<u>142,090</u>	<u>90,223</u>	<u>9,011</u>	<u>211</u>	<u>513,537</u>
<b>SEGMENT RESULT</b>	<u>3,528</u>	<u>9,281</u>	<u>14,822</u>	<u>10,160</u>	<u>333</u>	<u>38</u>	38,162
Unallocated corporate income							4,766
Unallocated corporate expenses							<u>(5,761)</u>
Profit from operations							37,167
Finance costs							<u>(8,539)</u>
Profit before taxation							28,628
Taxation							<u>(581)</u>
Net profit for the year							<u>28,047</u>



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

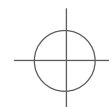
### 4. SEGMENT INFORMATION (cont'd)

#### 2001

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

	Hong Kong	North America	Europe	Australia and New Zealand	PRC	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>							
Segment assets	128,142	76,209	88,776	53,576	365,414	33	712,150
Unallocated corporate assets							141,558
Consolidated total assets							<u>853,708</u>
<b>LIABILITIES</b>							
Segment liabilities	45,778	20,053	28,486	17,223	51,893	55	163,488
Unallocated corporate liabilities							86,127
Consolidated total liabilities							<u>249,615</u>

	Hong Kong	North America	Europe	Australia and New Zealand	PRC	Others	Corporate	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>OTHER INFORMATION</b>								
Capital expenditure	22,591	608	11,297	694	308,826	1	1,032	345,049
Depreciation and amortisation	14,666	5,231	7,985	4,570	641	1	1,369	34,463
Impairment loss recognised	-	-	-	-	-	-	1,263	<u>1,263</u>



## 4. SEGMENT INFORMATION (cont'd)

2000

	Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Australia and New Zealand HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>							
Sales of goods	<u>276,536</u>	<u>170,886</u>	<u>136,604</u>	<u>61,025</u>	<u>15,352</u>	<u>2,883</u>	<u>663,286</u>
<b>SEGMENT RESULT</b>	<u>18,564</u>	<u>10,120</u>	<u>16,115</u>	<u>5,985</u>	<u>2,100</u>	<u>291</u>	53,175
Unallocated corporate income							3,668
Unallocated corporate expenses							<u>(12,889)</u>
Profit from operations							43,954
Finance costs							<u>(13,871)</u>
Loss on disposal of a subsidiary							<u>(1,534)</u>
Profit before taxation							28,549
Taxation							<u>(955)</u>
Net profit for the year							<u>27,594</u>





## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

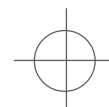
### 4. SEGMENT INFORMATION (cont'd)

#### 2000

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

	Hong Kong	North America	Europe	Australia and New Zealand	PRC	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>							
Segment assets	166,037	155,762	76,146	31,248	6,396	472	436,061
Unallocated corporate assets							<u>134,388</u>
Consolidated total assets							<u>570,449</u>
<b>LIABILITIES</b>							
Segment liabilities	69,239	50,487	29,163	12,866	3,914	706	166,375
Unallocated corporate liabilities							<u>126,552</u>
Consolidated total liabilities							<u>292,927</u>

	Hong Kong	North America	Europe	Australia and New Zealand	PRC	Others	Corporate	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>OTHER INFORMATION</b>								
Capital expenditure	16,451	16,910	8,277	4,943	175	–	1,517	48,273
Depreciation and amortisation	20,546	6,228	5,505	2,127	614	–	1,288	36,308
Impairment loss recognised	1,461	564	821	456	112	–	9,064	<u>12,478</u>



#### 4. SEGMENT INFORMATION (cont'd)

In addition to the analysis by the geographical location of its customers, the following is an analysis of the carrying amount of segment assets, and capital expenditure, analysed by the geographical area in which the assets and liabilities are located:

	Carrying amount of segment assets		Capital expenditure	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	285,424	351,123	2,779	16,834
The PRC	568,284	219,326	342,270	31,439
	<b>853,708</b>	<b>570,449</b>	<b>345,049</b>	<b>48,273</b>

#### Business segments

The Group is currently operating in two business segments, namely printing and property investment and development. Segment information about these businesses is presented below:

	Turnover		Contribution to profit (loss) from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Printing	513,407	663,286	38,171	53,175
Property investment and development	130	–	(9)	–
	<b>513,537</b>	<b>663,286</b>	<b>38,162</b>	<b>53,175</b>
Unallocated corporate income			4,766	3,668
Unallocated corporate expenses			(5,761)	(12,889)
Profit from operations			<b>37,167</b>	<b>43,954</b>

The following is an analysis of the carrying amount of segment assets, and capital expenditure, analysed by the two business activities:

	Carrying amount of segment assets		Capital expenditure	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Printing	489,264	570,449	38,199	48,273
Property investment and development	364,444	–	306,850	–
	<b>853,708</b>	<b>570,449</b>	<b>345,049</b>	<b>48,273</b>



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 5. OTHER REVENUE

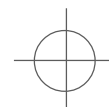
Included in other revenue is investment income as follows:

	2001 HK\$'000	2000 HK\$'000
Dividend from investments in securities	10	15
Gain on disposal of investments in securities	–	148
Interest earned on bank deposits	<u>4,647</u>	<u>3,505</u>

### 6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

Directors' remuneration (note 7)	4,966	4,212
Other staff costs	73,712	83,520
Pension scheme contribution	<u>2,302</u>	<u>1,163</u>
Total staff costs	<u>80,980</u>	<u>88,895</u>
Auditors' remuneration:		
Current year	778	971
Underprovision in prior year	119	–
Cost of inventories recognised as an expense	359,584	481,211
Depreciation and amortisation:		
Owned assets	33,588	33,191
Assets held under finance leases and hire purchase contracts	875	3,117
Loss on disposal of investments in securities	6	–
Loss on disposal of property, plant and equipment	–	470
Rental of premises under operating leases	4,349	5,017
and after crediting:		
Gain on disposal of property, plant and equipment	928	–
Rental income from investment properties, net of outgoings of HK\$66,000 (2000: Nil)	<u>64</u>	<u>–</u>



## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of directors and the five highest paid employees are as follows:

### (a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive	110	–
Non-executive	20	10
Independent non-executive	149	146
	<u>279</u>	<u>156</u>
Other emoluments:		
Executive		
Salaries and other benefits	3,249	3,334
Bonus	1,400	643
Pension scheme contributions	38	79
	<u>4,687</u>	<u>4,056</u>
	<u>4,966</u>	<u>4,212</u>

Emoluments of the directors are within the following bands:

	Number of directors	
	2001	2000
HK\$1,000,000 or below	10	16
HK\$1,000,001 to HK\$1,500,000	3	1
	<u>13</u>	<u>17</u>



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (cont'd)

#### (b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2000: one director), details of whose emoluments are set out in note 7(a) above.

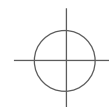
The emoluments of the remaining two individuals (2000: four individuals) are as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Salaries and other benefits	<b>1,726</b>	3,133
Bonus	<b>1,173</b>	1,350
Pension scheme contributions	<b>24</b>	39
	<b><u>2,923</u></b>	<u>4,522</u>

Emoluments of the employees are within the following bands:

	<b>Number of employees</b>	
	<b>2001</b>	2000
HK\$1,000,000 or below	<b>1</b>	–
HK\$1,000,001 to HK\$1,500,000	–	4
HK\$1,500,001 to HK\$2,000,000	<b>1</b>	–
	<b><u>2</u></b>	<u>4</u>

During the years ended 31st December, 2001 and 2000, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31st December, 2001 and 2000, no director waived any emoluments.



## 8. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Finance charge on obligations under finance leases and hire purchase contracts	595	1,406
Interest on borrowings wholly repayable within five years:		
Bank borrowings	7,914	12,034
Amount due to a minority shareholder	182	–
Others	30	431
	<u>8,721</u>	<u>13,871</u>
Less: Interest payable to a minority shareholder and capitalised in properties under development	(182)	–
	<u>8,539</u>	<u>13,871</u>

## 9. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	1,433	7,529
Underprovision in previous years	716	905
Taxation outside Hong Kong – current year	32	300
	<u>2,181</u>	<u>8,734</u>
Deferred taxation (note 26)	(1,600)	(7,779)
	<u>581</u>	<u>955</u>

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Company's subsidiaries engaged in manufacturing business in the PRC are exempted from income tax in the PRC for two years starting from the first profit-making year followed by a 50 percent reduction in the income tax rate in the following three years (the "Tax Reduction Period"). During the year, one of these subsidiaries was operating within the Tax Reduction Period and accordingly, was subject to income tax at a reduced rate. PRC income tax is calculated at the applicable rate relevant to that PRC subsidiary. The remaining subsidiary was still operating within the tax exemption period.



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 10. DIVIDEND

	2001 HK\$'000	2000 HK\$'000
Interim dividend paid to ordinary shareholders (2001: Nil; 2000: HK2 cents per share)	–	7,284
Semi-annual dividend payable to preference shareholders (2001: HK0.07 cent per share for the period from 14th December, 2001 to 31st December, 2001; 2000: Nil)	<b>294</b>	–
	<b>294</b>	7,284

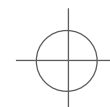
Subject to the Companies Law, the holders of preference shares are entitled to receive dividends semi-annually at 2.5 percent per annum on the issue price of HK\$0.60 per preference share in arrears on a daily basis.

The final dividend of HK2 cents (2000: Nil) per share to ordinary shareholders on the register of members on 27th May, 2002, amounting to approximately HK\$7,306,000, has been proposed by the directors and is subject to approval by the shareholders in general meeting.

### 11. EARNINGS PER SHARE

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

	2001 HK\$'000	2000 HK\$'000
Net profit for the year	<b>28,047</b>	27,594
Dividend on preference shares	<b>(294)</b>	–
Earnings for the purposes of basic earnings per share	<b>27,753</b>	27,594
Effect of dilutive potential ordinary shares:		
– Dividend on convertible preference shares	<b>59</b>	–
Earnings for the purposes of diluted earnings per share	<b>27,812</b>	27,594
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>365,286,616</b>	314,254,822
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	<b>7,824,658</b>	–
– Share options	<b>123,134</b>	3,748,021
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>373,234,408</b>	318,002,843

**12. INVESTMENT PROPERTIES****THE GROUP**  
**HK\$'000****VALUATION**Acquired on acquisition of subsidiaries and  
balance at 31st December, 2001**143,700**

The Group's investment properties at 31st December, 2001 are held under long leases in the PRC for rental income under operating leases. Legal title to these investment properties still rests in the name of the vendor even though the Group has the right to execute the transfer at anytime at their discretion. As substantially all the risks and rewards of ownership of the properties have been transferred to the Group upon execution of sales agreement, the Group has recognised the properties as its assets.

At 31st December, 2001, these investment properties were revalued by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, on an open market value basis. There was no surplus or deficit arising on the revaluation.





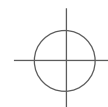
## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1st January, 2001	22,669	1,083	308,349	23,854	4,602	360,557
Acquired on acquisition of subsidiaries	1,235	-	-	309	-	1,544
Additions	32,155	-	361	5,329	364	38,209
Disposals	-	-	(11,350)	-	(177)	(11,527)
At 31st December, 2001	<b>56,059</b>	<b>1,083</b>	<b>297,360</b>	<b>29,492</b>	<b>4,789</b>	<b>388,783</b>
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st January, 2001	2,837	1,083	121,549	15,824	2,289	143,582
Provided for the year	759	-	27,862	4,882	960	34,463
Eliminated on disposals	-	-	(10,258)	-	(107)	(10,365)
Impairment loss recognised in the income statement	-	-	1,263	-	-	1,263
At 31st December, 2001	<b>3,596</b>	<b>1,083</b>	<b>140,416</b>	<b>20,706</b>	<b>3,142</b>	<b>168,943</b>
<b>NET BOOK VALUES</b>						
At 31st December, 2001	<b>52,463</b>	<b>-</b>	<b>156,944</b>	<b>8,786</b>	<b>1,647</b>	<b>219,840</b>
At 31st December, 2000	19,832	-	186,800	8,030	2,313	216,975

The directors have reviewed the carrying value of property, plant and equipment which have been idled for a prolonged period of time and determined that the recoverable amount from the use of certain of these assets has declined below their carrying value. Accordingly, the carrying value of these assets has been reduced by approximately HK\$1,263,000 (2000: HK\$12,478,000) to reflect this impairment.



### 13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The net book value of the properties comprises:		
Leasehold land and buildings situated in:		
– the PRC under medium-term land use right	<b>51,812</b>	19,132
– Hong Kong under long leases	<b>651</b>	700
	<hr/> <b>52,463</b>	<hr/> 19,832

The net book value of property, plant and equipment of the Group at 31st December, 2001 included an amount of approximately HK\$7,366,000 (2000: HK\$34,892,000) in respect of assets held under finance leases and hire purchase contracts.

### 14. PROPERTIES UNDER DEVELOPMENT

	<b>THE GROUP</b>
	<b>HK\$'000</b>
<b>COST</b>	
Acquired on acquisition of subsidiaries	<b>157,200</b>
Construction and development costs incurred	<b>4,214</b>
Interest capitalised	<b>182</b>
	<hr/> <b>161,596</b>
At 31st December, 2001	<hr/> <b>161,596</b>

The Group's properties under development at 31st December, 2001 are located in the PRC and held under long leases.

Details of the properties under development are set out on page 68 of the annual report.



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 15. CONTRACTUAL REIMBURSEMENT FROM RELATED COMPANIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Reimbursement of construction costs of properties under development (note a)	41,718	–
Less: Reimbursement received up to the balance sheet date	(2,242)	–
	<hr/>	<hr/>
	39,476	–
Reimbursement of deferred taxation liabilities (note b)	11,147	–
	<hr/>	<hr/>
	50,623	–
	<hr/>	<hr/>

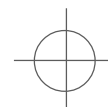
Notes:

- (a) Pursuant to a sale and purchase agreement dated 29th October, 2001 ("Acquisition Agreement") entered into with Chuang's China Commercial Limited ("CCC"), the properties under development as set out in note 14 were acquired, among other assets and liabilities, by the Group. CCC is a wholly owned subsidiary of Chuang's China Investments Limited (formerly known as China Cyberworld Limited) ("Chuang's China"), a substantial shareholder of the Company in which Mr. CHAN Sheung Chiu, Ms. LI Mee Sum, Ann and Mr. LEE Sai Wai are also the directors. Chuang's China also joined as a party to the Acquisition Agreement in order to guarantee the due and full performance of the obligations of CCC and Chuang's China under the Acquisition Agreement. Pursuant to the Acquisition Agreement, CCC have agreed and undertaken in favour of the Company to bear 51 percent of all the construction costs from the date of completion of the Acquisition Agreement up to completion of the construction works of the properties under development ("Completion Costs"). Accordingly, the relevant portion of the estimated Completion Costs amounting to approximately HK\$41,718,000 had been presented as a reimbursement of outstanding construction costs due from CCC and Chuang's China at the time of acquisition of the properties under development by the Group (note 32).
- (b) The amount represents a reimbursement due from CCC and Chuang's China in respect of certain deferred taxation liabilities arising from the excess of fair value over historical cost of investment properties and properties under development of subsidiaries at the date of acquisition by the Group pursuant to the Acquisition Agreement (notes 32 and 41(b)).

### 16. NEGATIVE GOODWILL

	THE GROUP HK\$'000
<b>GROSS AMOUNT</b>	
Arising on acquisition of subsidiaries and balance at 31st December, 2001	<b>8,477</b>

During the year, the Group acquired the entire issued share capital of, and shareholder's loan to, AsianWisdom.Com Limited ("AsianWisdom"), a company incorporated in the British Virgin Islands (the "BVI") which, together with its subsidiaries, are engaged in property investment and development in the PRC for a consideration of HK\$252,900,000. This acquisition has been accounted for by the purchase method of accounting and the amount of negative goodwill arising as a result of the acquisition was HK\$8,477,000. The amount of negative goodwill will be released to the income statement at the time of disposal of the relevant properties or to the extent that the relevant properties suffer an impairment loss or become depreciable.



## 17. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	<b>92,963</b>	92,963
Amounts due from subsidiaries	<b>363,179</b>	93,782
	<b>456,142</b>	186,745

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as a non-current asset.

Particulars of the Company's principal subsidiaries at 31st December, 2001 are set out in note 42.

## 18. INVESTMENTS IN SECURITIES

The amount represents non-trading equity securities listed in Hong Kong which are stated at market value.

## 19. INVENTORIES

	<b>THE GROUP</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Raw materials	<b>22,780</b>	39,576
Work in progress	<b>7,904</b>	10,734
Finished goods	<b>2,334</b>	2,788
	<b>33,018</b>	53,098

Included above are raw materials of approximately HK\$1,114,000 (2000: HK\$5,739,000) which are carried at net realisable value.



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 20. TRADE RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 120 days (2000: 30 days to 120 days) to its trade customers. The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 to 30 days	34,211	46,378
31 to 60 days	20,910	36,629
61 to 90 days	19,863	45,109
91 to 120 days	18,085	19,502
More than 120 days	11,564	14,784
	<u>104,633</u>	<u>162,402</u>

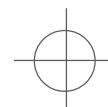
### 21. TRADE PAYABLES

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 to 30 days	16,710	21,133
31 to 60 days	14,009	17,439
61 to 90 days	10,434	14,378
91 to 120 days	8,217	8,990
More than 120 days	12,001	515
	<u>61,371</u>	<u>62,455</u>

### 22. AMOUNT DUE TO A RELATED COMPANY

The amount is payable to a subsidiary of Chuang's China and is unsecured, interest-free and repayable on demand.



## 23. BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Borrowings comprise:		
Bank loans	54,373	94,859
Import loans	21,736	78,839
Other loans	–	1,566
	<b>76,109</b>	<b>175,264</b>
Analysed as:		
Secured	43,603	139,138
Unsecured	32,506	36,126
	<b>76,109</b>	<b>175,264</b>
Bank borrowings are repayable as follows:		
Within one year or on demand	58,259	153,826
More than one year but not exceeding two years	6,600	9,526
More than two years but not exceeding five years	11,250	10,346
	<b>76,109</b>	<b>173,698</b>
Other borrowings repayable within one year or on demand	–	1,566
Total	<b>76,109</b>	<b>175,264</b>
Less: Amount repayable within one year or on demand and shown under current liabilities	<b>(58,259)</b>	<b>(155,392)</b>
Amount due after one year	<b>17,850</b>	<b>19,872</b>

During the year, the Group obtained new bank loans in the amount of HK\$41,677,000. The loans bear interest at prevailing market rates and are repayable in instalments over a period of one to three years. The proceeds were used to finance the acquisition of property, plant and equipment and for working capital usage of the Group.



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 24. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

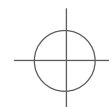
	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The maturity of obligations under finance leases and hire purchase contracts is as follows:				
Within one year	<b>1,956</b>	9,343	<b>1,774</b>	8,344
In the second to fifth year inclusive	<b>3,551</b>	7,994	<b>3,417</b>	7,286
	<b>5,507</b>	17,337		
Less: Future finance charges	<b>(316)</b>	(1,707)		
Present value of lease obligations	<b>5,191</b>	15,630	<b>5,191</b>	15,630
Less: Amount due for settlement within one year and shown under current liabilities			<b>(1,774)</b>	(8,344)
Amount due after one year			<b>3,417</b>	7,286

It is the Group's policy to lease certain of its motor vehicles and plant and machinery under finance leases. The average lease term is 3 years. All leases are on a fixed repayment basis in Hong Kong dollars and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases and hire purchase contracts are secured by the lessor's and hirer's charge over the leased and hire purchased assets, respectively.

### 25. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured, bears interest at 1 percent per month and is repayable after 31st December, 2002, except for an amount of approximately HK\$6,219,000 which is interest-free and has no fixed repayment terms.



## 26. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Balance brought forward	7,889	15,668
Acquired on acquisition of subsidiaries	15,304	–
Credit for the year (note 9)	(1,600)	(7,779)
Balance carried forward	<b>21,593</b>	<b>7,889</b>

At 31st December, 2001, the major components of the deferred taxation (liabilities) assets, provided and unprovided, are as follows:

	THE GROUP			
	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:				
Excess of fair value over historical cost of investment properties and properties under development of certain subsidiaries at the date of acquisition by the Group	(15,304)	–	–	–
Excess of depreciation allowances claimed for tax purpose over depreciation charged in the financial statements	(6,200)	(7,800)	–	–
Tax losses	–	–	1,063	973
Other timing difference	(89)	(89)	–	–
	<b>(21,593)</b>	<b>(7,889)</b>	<b>1,063</b>	<b>973</b>

The unprovided deferred taxation credit for the year amounting to HK\$90,000 (2000: HK\$973,000) represents tax effect of timing differences attributable to tax losses incurred for the year.

A deferred taxation asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

The Company had no significant deferred taxation during the year or at the balance sheet date.



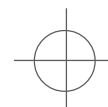


## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 27. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>AUTHORISED</b>		
Ordinary shares of HK\$0.10 each At 1st January, 2000, 31st December, 2000 and 31st December, 2001	<b>1,000,000,000</b>	<b>100,000</b>
Preference shares of HK\$0.01 each		
Series A preference shares Increased during the year and balance at 31st December, 2001	1,000,000,000	10,000
Series B preference shares Increased during the year and balance at 31st December, 2001	1,000,000,000	10,000
	<b>2,000,000,000</b>	<b>20,000</b>
<b>ISSUED AND FULLY PAID</b>		
Ordinary shares of HK\$0.10 each		
At 1st January, 2000	236,516,068	23,652
Issue of shares on private placement	107,000,000	10,700
Issue of shares on exercise of share options	21,144,000	2,114
At 31st December, 2000	364,660,068	36,466
Issue of shares on exercise of share options	630,000	63
At 31st December, 2001	<b>365,290,068</b>	<b>36,529</b>
Preference shares of HK\$0.01 each		
Series A preference shares Issue of shares for acquisition of subsidiaries and balance at 31st December, 2001	84,000,000	840
Series B preference shares Issue of shares for acquisition of subsidiaries and balance at 31st December, 2001	337,500,000	3,375
	<b>421,500,000</b>	<b>4,215</b>

**27. SHARE CAPITAL** *(cont'd)*

- (a) During the year ended 31st December, 2000, the following changes in the share capital of the Company took place:
- (i) On 27th March, 2000, the Company issued 47,000,000 ordinary shares of HK\$0.10 each in the Company to independent investors at a price of HK\$0.88 per share, representing a discount of approximately 31.8% to the closing price of HK\$1.29 per share as quoted on the Stock Exchange on 10th March, 2000 (date of the share placing agreement). The net proceeds were used as general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 6th May, 1999.
  - (ii) On 1st August, 2000, the Company issued 60,000,000 ordinary shares of HK\$0.10 each in the Company to independent investors at a price of HK\$0.35 per share, representing a discount of approximately 14.6% to the closing price of HK\$0.41 per share as quoted on the Stock Exchange on 12th July, 2000 (date of the share placing agreement). The net proceeds were used as general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 23rd May, 2000.
  - (iii) 21,144,000 ordinary shares of HK\$0.10 each in the Company were issued at prices ranging from HK\$0.175 to HK\$0.385 per share upon the exercise of share options granted under the share option scheme of the Company.

All the shares issued above rank pari passu with the then existing ordinary shares in all respects.

- (b) During the year ended 31st December, 2001, the following changes in the ordinary and preference share capital of the Company took place:
- (i) 630,000 ordinary shares of HK\$0.10 each in the Company were issued at 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 ordinary shares in all respects.
  - (ii) Pursuant to a resolution passed at an extraordinary general meeting of the Company on 13th December, 2001, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$120,000,000 by the creation of 1,000,000,000 Series A preference shares of HK\$0.01 each ("Series A Preference Shares") and 1,000,000,000 Series B preference shares of HK\$0.01 each ("Series B Preference Shares", together with Series A Preference Shares collectively referred to as "Preference Shares").



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 27. SHARE CAPITAL (cont'd)

- (iii) On 14th December, 2001, the Company issued 84,000,000 Series A Preference Shares and 337,500,000 Series B Preference Shares at a subscription price of HK\$0.60 per share to Chuang's China to satisfy the consideration payable of HK\$252,900,000 in respect of the acquisition of AsianWisdom and the related shareholder's loan. The Preference Shares are non-voting, redeemable and their holders are entitled to a fixed cumulative preferential dividend payable semi-annually at a rate of 2.5 percent per annum on the issue price of HK\$0.60 of each preference share. In addition, the Preference Shares rank in priority to the ordinary shares in the Company as to dividend and return of capital. Subject to adjustment in accordance with the terms of Series A Preference Shares, each of the Series A Preference Shares is convertible into two ordinary shares in the Company of HK\$0.10 each ("Conversion Shares") at the option of the holders at any time from 14th December, 2001 (the date of issue of Series A Preference Shares) to the fifth anniversary from the date of their issue. The Conversion Shares shall, when issued, rank *pari passu* in all respects with the then existing ordinary shares of the Company. Subject to the Companies Law, unless previously converted, the Preference Shares are redeemable by the Company at any time up to the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash. Further, the Company shall redeem all outstanding Preference Shares which have not been previously redeemed or converted on the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash.

Further details of the rights of the Preference Shares had been set out in the Company's circular to the shareholders dated 20th November, 2001.

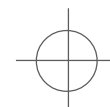
### 28. SHARE OPTIONS

At 31st December, 2001, the following options to subscribe for ordinary shares in the Company of HK\$0.10 each were outstanding under the Company's share option schemes:

Exercisable period	Exercise price per share HK\$	Number of share options outstanding at 31.12.2001
1st March, 1999 to 28th February, 2002	0.175	500,000
3rd February, 2000 to 2nd February, 2003	0.320	1,000,000

# Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001



## 29. SHARE PREMIUM

	Ordinary shares HK\$'000	Preference shares HK\$'000	Total HK\$'000
At 1st January, 2000	76,449	–	76,449
Premium arising on issue of shares	56,471	–	56,471
Expenses incurred in connection with the issue of shares	(1,679)	–	(1,679)
At 31st December, 2000	131,241	–	131,241
Premium arising on issue of shares	82	248,685	248,767
At 31st December, 2001	<b>131,323</b>	<b>248,685</b>	<b>380,008</b>

## 30. OTHER RESERVES

	Merger reserve HK\$'000	Contributed surplus HK\$'000	Goodwill HK\$'000	Investments revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1st January, 2000	24,000	–	(36,179)	(46)	239	98,200	86,214
Goodwill realised on disposal of a subsidiary	–	–	2,963	–	–	–	2,963
Realised on disposal of investment in securities	–	–	–	22	–	–	22
Revaluation increased in the year	–	–	–	306	–	–	306
Net profit for the year	–	–	–	–	–	27,594	27,594
Dividend	–	–	–	–	–	(7,284)	(7,284)
At 31st December, 2000	24,000	–	(33,216)	282	239	118,510	109,815
Realised on disposal of investment in securities	–	–	–	(210)	–	–	(210)
Revaluation decreased in the year	–	–	–	(74)	–	–	(74)
Net profit for the year	–	–	–	–	–	28,047	28,047
Dividend	–	–	–	–	–	(294)	(294)
At 31st December, 2001	<b>24,000</b>	<b>–</b>	<b>(33,216)</b>	<b>(2)</b>	<b>239</b>	<b>146,263</b>	<b>137,284</b>
<b>THE COMPANY</b>							
At 1st January, 2000	–	77,963	–	–	–	3,276	81,239
Net profit for the year	–	–	–	–	–	9,463	9,463
Dividend	–	–	–	–	–	(7,284)	(7,284)
At 31st December, 2000	–	77,963	–	–	–	5,455	83,418
Net profit for the year	–	–	–	–	–	16,936	16,936
Dividend	–	–	–	–	–	(294)	(294)
At 31st December, 2001	<b>–</b>	<b>77,963</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22,097</b>	<b>100,060</b>



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 30. OTHER RESERVES (cont'd)

The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation in 1996 (the "Group Reorganisation").

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company at the date of the Group Reorganisation and the nominal amount of the shares issued by the Company which were issued under the Group Reorganisation.

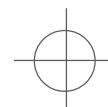
In addition to the retained profits of the Company, the share premium as set out in note 29 and the contributed surplus accounts of the Company are also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders at 31st December, 2001 amounted to approximately HK\$480,068,000 (2000: HK\$214,659,000).

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

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	28,628	28,549
Interest expense	7,944	12,465
Finance charge on obligations under finance leases and hire purchase contracts	595	1,406
Interest income	(4,647)	(3,505)
Dividend income	(10)	(15)
Impairment loss on property, plant and equipment	1,263	12,478
Impairment loss on other securities	-	780
Depreciation and amortisation	34,463	36,308
Loss on disposal of a subsidiary	-	1,534
Loss (gain) on disposal of investments in securities	6	(148)
(Gain) loss on disposal of property, plant and equipment	(928)	470
Decrease (increase) in inventories	20,080	(15,953)
Decrease (increase) in trade receivables	57,769	(67,145)
Decrease in deposits, prepayments and other receivables	9,350	4,247
Decrease in bills receivable	-	523
(Decrease) increase in trade payables	(1,084)	6,159
Increase (decrease) in accrued charges and other payables	8,356	(2)
Decrease in an amount due to a related company	(252)	-
Net cash inflow from operating activities	<b>161,533</b>	<b>18,151</b>

## Notes to the Financial Statements *(cont'd)*

For the year ended 31st December, 2001



### 32. PURCHASE OF SUBSIDIARIES

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Net assets acquired:		
Investment properties	<b>143,700</b>	–
Property, plant and equipment	<b>1,544</b>	–
Properties under development	<b>157,200</b>	–
Deposits, prepayments and other receivables	<b>11,527</b>	–
Bank balances and cash	<b>6,003</b>	–
Accrued charges and other payables	<b>(4,660)</b>	–
Amount due to a related company	<b>(6,089)</b>	–
Amount due to a minority shareholder	<b>(37,436)</b>	–
Taxation payable	<b>(123)</b>	–
Amount due to former shareholder	<b>(116,958)</b>	–
Deferred taxation	<b>(15,304)</b>	–
Minority interests	<b>(46,057)</b>	–
	<hr/>	<hr/>
	<b>93,347</b>	–
Negative goodwill	<b>(8,477)</b>	–
	<hr/>	<hr/>
	<b>84,870</b>	–
	<hr/>	<hr/>
Satisfied by:		
Issue of Preference Shares of the Company	<b>252,900</b>	–
Expenses paid in relation to the acquisition	<b>1,793</b>	–
Assignment of amount due to former shareholder	<b>(116,958)</b>	–
Contractual reimbursement from related companies		
– Construction costs of properties under development	<b>(41,718)</b>	–
– Deferred taxation liabilities	<b>(11,147)</b>	–
	<hr/>	<hr/>
	<b>84,870</b>	–
	<hr/>	<hr/>



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 32. PURCHASE OF SUBSIDIARIES (cont'd)

The subsidiaries acquired in 2001 did not contribute significantly to the Group's cash flows or operating results.

Analysis of the inflow of cash and cash equivalents in respect of the purchase of subsidiaries:

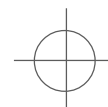
	2001 HK\$'000	2000 HK\$'000
Bank balances and cash acquired	6,003	-
Expenses paid in relation to the acquisition	(1,793)	-
	<hr/>	<hr/>
Inflow of cash and cash equivalents in respect of the purchase of subsidiaries	4,210	-
	<hr/>	<hr/>

### 33. DISPOSAL OF A SUBSIDIARY

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Property, plant and equipment	-	9
Trade receivables	-	2,515
Bank balances and cash	-	171
Trade payables	-	(1,537)
Accrued charges and other payables	-	(1,087)
	<hr/>	<hr/>
	-	71
Goodwill	-	2,963
Loss on disposal of a subsidiary	-	(1,534)
	<hr/>	<hr/>
	-	1,500
	<hr/>	<hr/>
Satisfied by:		
Cash consideration received	-	1,500
	<hr/>	<hr/>

## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001



### 33. DISPOSAL OF A SUBSIDIARY (cont'd)

Analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash consideration received	-	1,500
Bank balances and cash disposed of	-	(171)
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	-	<u>1,329</u>

The subsidiary disposed of during the year ended 31st December, 2000 did not contribute significantly to the Group's cash flows or operating results.

### 34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium	Bank loans	Import loans	Other loans	Obligations under finance leases and hire purchase contracts	Amount due to a minority shareholder
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2000	100,101	38,552	-	7,687	19,969	-
Inception of finance leases and hire purchase contracts (note 35)	-	-	-	-	6,869	-
New loans raised	-	32,668	71,677	-	-	-
Proceeds from issue of ordinary shares	69,285	-	-	-	-	-
Expenses incurred in connection with the issue of shares	(1,679)	-	-	-	-	-
Repayments during the year	-	(26,389)	(40,385)	(6,121)	(11,208)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2000	167,707	44,831	31,292	1,566	15,630	-
Inception of finance leases and hire purchase contracts (note 35)	-	-	-	-	175	-
New loans raised	-	41,677	33,431	-	-	-
Issue of Preference Shares for the acquisition of subsidiaries (notes 27 and 35)	252,900	-	-	-	-	-
Proceeds from issue of ordinary shares	145	-	-	-	-	-
Arising on acquisition of subsidiaries	-	-	-	-	-	37,436
Interest payable for the year	-	-	-	-	-	182
Repayments during the year	-	(32,135)	(64,553)	(1,566)	(10,614)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2001	<b><u>420,752</u></b>	<b><u>54,373</u></b>	<b><u>170</u></b>	<b><u>-</u></b>	<b><u>5,191</u></b>	<b><u>37,618</u></b>





## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 35. MAJOR NON-CASH TRANSACTIONS

- (i) During the year, the Group entered into finance leases and hire purchase contracts in respect of new assets acquired with a total capital value at the inception of the leases and contracts of approximately HK\$175,000 (2000: HK\$6,869,000).
- (ii) In December 2001, the Group acquired AsianWisdom and the respective shareholder's loan for a consideration of HK\$252,900,000 which was satisfied by ways of allotment and issue of Preference Shares.

### 36. CAPITAL COMMITMENTS

At 31st December, 2001, the Group had commitments of approximately HK\$47,617,000 (2000: Nil) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment and the construction of properties under development. However, HK\$22,391,000 of this amount will be reimbursed by CCC and Chuang's China as incurred pursuant to the Acquisition Agreement. Details of this arrangement are set out in note 15(a).

The Company had no significant capital commitments at the balance sheet date.

### 37. OPERATING LEASES

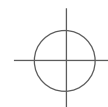
#### (a) Operating lease commitments

At the balance sheet date, the Group was committed to make minimum lease payments under non-cancellable operating leases for land and buildings which fall due as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	3,612	4,045
More than one year but within two years	2,408	6,020
	<u>6,020</u>	<u>10,065</u>

Operating lease payments represent rental payable by the Group for certain of its office and warehouse properties with fixed monthly rentals for an average term of three years. No arrangements have been entered into for contingent rental payments.

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



**37. OPERATING LEASES (cont'd)**

**(b) Operating lease arrangements**

Property rental income earned during the year was HK\$130,000 (2000: Nil). The properties are expected to generate rental yields of 10% on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

At 31st December, 2001, the Group had contracted with tenants for the following future minimum lease payments:

	<b>THE GROUP</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within one year	<b>6,572</b>	–
More than one year but within two years	<b>3,959</b>	–
	<b>10,531</b>	–

Other than as disclosed above and in note 41, certain properties under development of the Group have been pre-leased to an independent third party for a term of 10 years upon complete construction of the properties with annual rental of RMB10,000,000 (equivalent to approximately HK\$9,434,000) in the first year and escalating rent thereafter. Total rentals receivable in the second to fifth years inclusive and over five years amounted to approximately HK\$48,000,000 and HK\$75,000,000, respectively.

**38. CONTINGENT LIABILITIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Guarantees given to banks and other financial institutions on facilities utilised by subsidiaries in respect of				
– credit facilities	–	–	<b>66,746</b>	153,558
– finance leases and hire purchase contracts	–	–	<b>5,047</b>	8,378
– other loans	–	–	–	1,266
	<b>–</b>	<b>–</b>	<b>71,793</b>	163,202
Other guarantee issued to an outsider	–	281	–	281



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 39. PLEDGE OF ASSETS

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

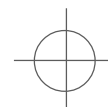
	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Leasehold land and buildings	17,086	17,625
Trade receivables	85,708	–
Plant and machinery	7,366	75,642
Bank deposits	–	24,848
	<b>110,160</b>	<b>118,115</b>

The bank deposits as at 31st December, 2000 were pledged to secure short-term credit facilities granted to the Group.

### 40. PENSION SCHEME

The Group operates a funded defined benefit pension scheme (“Defined Benefit Scheme”) for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The pension cost is assessed in accordance with the advice from Kam L. Li, Associate of the Society of the Actuaries of Watson Wyatt (Hong Kong) Limited, using the attained age method. The results of the latest actuarial assessment of the scheme as at 30th September, 2000 was set out in an actuarial report on 12th January, 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries. It was assumed that the investment return would be at 6 percent per annum and that salary increases would be average at 4 percent per annum. Based on the latest available actuarial assessment of the scheme as at 30th September, 2000, the market value of the assets of the scheme was approximately HK\$5,150,000, and this was sufficient to cover 125 percent of the actuarial value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

With effect from 1st December, 2000, the Group has joined the Mandatory Provident Fund Scheme (the “MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

**40. PENSION SCHEME** *(cont'd)*

Employees who were members of the Defined Benefit Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the Defined Benefit Scheme or switching to the MPF Scheme, whereas all employees eligible for joining the Group's pension scheme on or after 1st December, 2000 are required to join the MPF Scheme.

The Group contributed a rate of approximately 9.5 percent of the total salary payment of the relevant employees to the Defined Benefit Scheme as advised by the actuary for the year ended 31st December, 2001 (2000: 4.2 percent for the period from 1st January, 2000 to 30th September, 2000 and 9.5 percent from 1st October, 2000 to 31st December, 2000). The retirement benefits cost of the MPF Scheme is charged to the income statement at rates specified in the rules of the MPF Scheme.

**41. CONNECTED/RELATED PARTY TRANSACTIONS**

During the year, the Company entered into the following connected and/or related party transactions:

- (a) On 12th January, 2001, the Company entered into a conditional sale and purchase agreement (the "January Agreement") with Impressive Profit Investments Limited ("Impressive Profit") to acquire a 20 percent interest in Treasure Auctioneer International Limited, a company incorporated in the BVI, which is engaged in the provision of specialist auction services in Hong Kong and general trading, for a consideration of HK\$68,000,000. Impressive Profit is owned by Mr. CHUANG Shaw Swee, Alan and Mrs. SIU CHUANG Siu Suen, Alice who, together with their associates as defined under the Rules Governing the Listing of Securities on the Stock Exchange, are the controlling shareholders of Chuang's Consortium International Limited, a substantial shareholder of the Company through its interest in Chuang's China. On 2nd March, 2001, the Company entered into a deed of termination and cancellation to terminate and cancel the January Agreement and each party thereto unconditionally released each of the other parties thereto of and from all obligations and liabilities thereunder. Full details of the transactions were contained in the announcements of the Company dated 15th January, 2001 and 2nd March, 2001.
- (b) On 29th October, 2001, the Company entered into the Acquisition Agreement with CCC to acquire the entire issued share capital of, and the shareholder's loan to, AsianWisdom for an aggregate consideration of HK\$252,900,000. On the same date, the Company also entered into a subscription agreement ("Subscription Agreement") with Chuang's China pursuant to which the proceeds under the Acquisition Agreement will be utilised by Chuang's China to subscribe for the Preference Shares at an issue price of HK\$0.60 each. These transactions were approved by the independent shareholders in an extraordinary general meeting of the Company held on 13th December, 2001 and completion of the Acquisition Agreement and Subscription Agreement took place on 14th December, 2001. Full details of the transactions were contained in the circular issued to the shareholders of the Company dated 20th November, 2001 and disclosed in the announcements of the Company dated 29th October, 2001, 19th November, 2001 and 13th December, 2001.



## Notes to the Financial Statements *(cont'd)*

For the year ended 31st December, 2001

### 41. CONNECTED/RELATED PARTY TRANSACTIONS *(cont'd)*

Included in the terms of the Acquisition Agreement, CCC and Chuang's China agreed to indemnify the Group against any loss arising from claim for taxation in relation to the acquisition of subsidiaries as a consequence of events occurring on or before the completion of the Acquisition Agreement. CCC has also given an undertaking in favour of the Group that in the event the annual rental income of certain of the investment properties acquired by the Group through the above acquisition for each of the two years after the date of completion of the Acquisition Agreement shall be less than HK\$3,880,000, CCC and Chuang's China will indemnify the Group for an amount of the shortfall on a dollar for dollar basis. Such guaranteed income received for the year pursuant to the Acquisition Agreement was approximately HK\$187,000.

Through the completion of the Acquisition Agreement, the Group leased certain properties to Yuen Sang Hardware Co. (1988) Limited, a wholly owned subsidiary of Chuang's China at an aggregate annual rental of approximately HK\$1,067,000 which is based on market rate of similar properties. The lease agreement is for a duration of 2 years expiring on 31st March, 2003 with an option to renew for an additional term of 2 years. Rental income received by the Group under this agreement for the year was approximately HK\$50,000. Details of transactions entered into in association with the Acquisition Agreement were set out in notes 8 and 15.

Details of the balances with the related parties are set out in notes 22 and 25.

During the year ended 31st December, 2000, the holders of non-voting deferred shares of Midas Printing Limited, a subsidiary of the Company, transferred their entire interest in those shares to Midas Printing Group (BVI) Limited, another subsidiary of the Company, for a consideration of HK\$51 pursuant to an option agreement dated 6th May, 1996. The holders of such shares included ERI Holdings Limited, the former substantial shareholder of the Company, and Mr. Lau Chuk Kin, a former director of the Company.



## 42. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st December, 2001 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities (note a)
AsianWisdom	BVI	US\$1 ordinary share	100%	Investment holding
成都莊士中心開發有限公司 Chengdu Chuang's Centre Development Company Limited	PRC	RMB20,000,000	51%	Properties development and investment
Dah Hua International Printing Press Company Limited	Hong Kong	HK\$1,600,000 ordinary shares	100%	Trading of printing products
Dah Hua Printing Press Company Limited	Hong Kong	HK\$600,000 ordinary shares	100%	Trading of printing products
東莞勤達印刷有限公司 Dongguan Midas Printing Company Limited	PRC	HK\$93,800,000	100%	Manufacturing and trading of packaging printing products
Lever Printing Factory Limited	Hong Kong	HK\$150,000 founders' shares HK\$350,000 ordinary shares	100%	Trading of packaging printing products
Midas Printing (Asia) Limited	Hong Kong	HK\$100 ordinary shares	100%	Trading of printing products
Midas Printing International Limited	Hong Kong	HK\$7,000 ordinary shares	100%	Trading of printing products
Midas Printing Limited	Hong Kong	HK\$100 ordinary shares HK\$10,000,000 non-voting deferred shares (note b)	100%	Commercial printing and book printing



## Notes to the Financial Statements (cont'd)

For the year ended 31st December, 2001

### 42. SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities (note a)
Riverside Trinity Limited	Hong Kong	HK\$2 ordinary shares	100%	Property investment
Sino Stream Limited	Hong Kong	HK\$2 ordinary shares	100%	Property investment
廣東省博羅縣圓洲勤達 印務有限公司	PRC	US\$7,500,000	100%	Book binding and printing

Notes:

- a. All subsidiaries carry out their operations principally in their respective place of incorporation or registration.
- b. The deferred shares practically carry no rights to dividends or to receive notice of attend or vote at any general meeting of the Company or to participate in any distribution on winding up.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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