

Notes to the Financial Statements

For the year ended 31 December 2001

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the printing of books, magazines, packaging products and financial printing.

2. ADOPTION OF NEW AND REVISED 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 (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these new and revised standards has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3 to the financial statements. 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 year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported or disclosures for the current or prior year.

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 in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change is to increase the Group’s net assets as at 1 January 2000 and 1 January 2001 by approximately HK\$19,213,000 and HK\$24,170,000 respectively.

Leases

SSAP 14 (Revised) “Leases” has introduced some amendments to the basis of accounting for leases and to disclosures specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods. Disclosures for leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised).

Segment reporting

In the current year, the Group has changed the basis of reportable segment to that required by SSAP 26 “Segment reporting”. Segment disclosures for the year ended 31 December 2000 have been modified in order to conform with the requirements of the standard.

Notes to the Financial Statements

For the year ended 31 December 2001

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

(Continued)

Goodwill

In the current year, the Group has adopted SSAP 30 “Business combinations” and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following the restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets. Goodwill is amortised over its estimated useful life. Negative goodwill will be released to income based on an analysis of the circumstances from which the balance resulted. The effect of the change in respect of accounting policy on goodwill is to increase the Group’s net assets as at 1 January 2000 and 1 January 2001 by approximately HK\$74,479,000 and HK\$4,343,000 respectively. The effect of the change in respect of accounting policy on negative goodwill is to increase the Group’s retained profits as at 1 January 2000 and 1 January 2001 by approximately HK\$796,000 and to decrease the Group’s capital reserve as at 1 January 2000 and 1 January 2001 by the same amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and equity investments, as explained below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to the effective date of acquisition or disposal as appropriate. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its useful economic life not more than twenty years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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 or associate at the date of acquisition over the cost of acquisition. Negative goodwill is 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.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest and equity voting rights and over which it is in a position to exercise significant influence.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income derived therefrom being negotiated at arm's length.

Investment properties are stated at their open market values based on professional valuations at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance in the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement.

Upon the disposal of an investment property, any balance in the investment property revaluation reserve which is attributable to the disposed property is credited to the income statement.

No depreciation is provided on investment properties which are held on leases with unexpired term of more than twenty years.

Other properties, plant and equipment

Other properties, plant and equipment, are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

The Group has adopted the transitional arrangement provided in paragraph 80 of SSAP 17 "Property, plant and equipment" with regard to the requirement to make regular revaluations of non-investment properties. Accordingly, there will be no further revaluation of the Group's non-investment properties subsequent to 31 March 1995. Up to 31 March 1995, surpluses arising on the revaluation of these properties were credited to the property revaluation reserve.

The cost or valuation of buildings is depreciated over the term of the lease, including the renewable period, or 40 years whichever is the shorter.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other properties, plant and equipment (Continued)

No depreciation is provided on the cost of plant and machinery under installation and factory buildings under construction until the assets are ready for their intended use.

Depreciation is provided to write off the cost of all other assets, less the residual value if any, over their estimated useful lives using the straight-line method, at the following rates per annum:

Plant and machinery	6 ² / ₃ % – 10%
Equipment, furniture and fixtures	20%
Motor vehicles	20%

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises of all costs of purchase and where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. 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 sales.

Investments in securities

Investments in securities are carried at fair value on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair values of securities are credited or charged to the income statement.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expenses are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting 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 an asset will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) Sales of goods, when the goods are delivered and title has passed;
- (b) Rental income under operating leases, on a straight line basis over the duration of the relevant leases;
- (c) Dividends from investments in securities, when the Group's right to receive dividend payment is established; and
- (d) Interest income, on a time proportion basis by reference to the principal outstanding and the applicable rate of interest.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the year in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

Rental receipts or payments under operating leases are credited or charged to the income statement on a straight-line basis over the duration of the relevant leases.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling at the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

In the preparation of consolidated financial statements, financial statements which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates prevailing at the balance sheet date. All exchange differences arising on translation are dealt with in the translation reserve.

Retirement benefits costs

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme become members of both the ORSO Scheme and the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

Notes to the Financial Statements

For the year ended 31 December 2001

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, during the year.

The analysis of the Group's turnover for the year ended 31 December 2001 is as follows:

	GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Printing of books and magazines	690,610	686,033
Printing of packaging products	265,454	327,968
Financial printing	63,038	125,445
	<u>1,019,102</u>	<u>1,139,446</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – printing of books and magazines, printing of packaging products and financial printing. These divisions are the basis on which the Group reports its primary segment information.

Notes to the Financial Statements

For the year ended 31 December 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:

Year ended 31 December 2001

	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Financial printing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue						
External sales	690,610	265,454	63,038	–	–	1,019,102
Inter-segment sales	8,107	11,377	–	–	(19,484)	–
	<u>698,717</u>	<u>276,831</u>	<u>63,038</u>	<u>–</u>	<u>(19,484)</u>	<u>1,019,102</u>
Total						
Result						
Segment result	1,260	(22,924)	(6,382)	–	–	(28,046)
Amortisation of goodwill	(645)	–	–	–	–	(645)
Impairment loss recognised in respect of goodwill	(2,638)	–	–	–	–	(2,638)
Unallocated corporate expenses						(21,448)
Loss from operations						(52,777)
Finance costs						(23,399)
Share of results of associates	(2,570)	–	–	(753)	–	(3,323)
Loss on disposal of an associate						(300)
Loss before taxation						(79,799)
Taxation						(7,787)
Loss after taxation						(87,586)
Minority interests						(7,643)
Net loss for the year						<u>(95,229)</u>

Inter-segment sales are charged by reference to market prices.

Notes to the Financial Statements

For the year ended 31 December 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Financial printing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 December 2001				
Other information				
Capital addition	30,042	49,184	1,226	80,452
Depreciation	36,779	21,392	965	59,136
Goodwill amortisation and impairment losses	<u>3,283</u>	<u>–</u>	<u>–</u>	<u>3,283</u>
At 31 December 2001				
Assets				
Segment assets	630,024	339,576	13,183	982,783
Interests in associates	52,656	–	–	52,656
Unallocated corporate and other assets				<u>216,105</u>
Consolidated total assets				<u>1,251,544</u>
Liabilities				
Segment liabilities	138,889	28,110	9,995	176,994
Unallocated corporate liabilities				<u>331,390</u>
Consolidated total liabilities				<u>508,384</u>

Notes to the Financial Statements

For the year ended 31 December 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Year ended 31 December 2000

	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Financial printing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue						
External sales	686,033	327,968	125,445	–	–	1,139,446
Inter-segment sales	17,472	10,384	–	–	(27,856)	–
Total	<u>703,505</u>	<u>338,352</u>	<u>125,445</u>	<u>–</u>	<u>(27,856)</u>	<u>1,139,446</u>
Result						
Segment result	112,079	32,641	23,006	–	–	167,726
Amortisation of goodwill	(566)	(48)	(10,750)	(193)	–	(11,557)
Impairment loss recognised in respect of goodwill	(3,485)	–	(59,726)	(3,662)	–	(66,873)
Unallocated corporate expenses						<u>(12,350)</u>
Profit from operations						76,946
Finance costs						(43,671)
Share of results of associates	(2,453)	–	–	(393)	–	(2,846)
Gain on disposal of an associate						<u>1,673</u>
Profit before taxation						32,102
Taxation						<u>(16,943)</u>
Profit after taxation						15,159
Minority interests						<u>(14,355)</u>
Net profit for the year						<u>804</u>

Inter-segment sales are charged by reference to market prices.

Notes to the Financial Statements

For the year ended 31 December 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Financial printing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 December 2000					
Other information					
Capital addition	42,366	29,601	564	–	72,531
Depreciation	26,895	20,760	1,448	–	49,103
Goodwill amortisation and impairment losses	4,051	48	70,476	3,855	78,430
At 31 December 2000					
Assets					
Segment assets	704,578	444,740	15,041	–	1,164,359
Interests in associates	34,542	–	–	1,053	35,595
Unallocated corporate and other assets					282,413
Consolidated total assets					1,482,367
Liabilities					
Segment liabilities	171,308	53,210	9,981	–	234,499
Unallocated corporate liabilities					534,611
Consolidated total liabilities					769,110

Notes to the Financial Statements

For the year ended 31 December 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical Segments

The analysis of the Group's turnover by geographical market for the year is as follows:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
People's Republic of China, excluding Hong Kong	577,622	483,349
Hong Kong	121,028	264,701
	<hr/>	<hr/>
	698,650	748,050
United States of America	240,769	257,055
United Kingdom	41,749	61,053
Other areas	37,934	73,288
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	<u>1,019,102</u>	<u>1,139,446</u>

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group ratio of profit to turnover.

Analysis of carrying amount of segment assets, and additions to properties, plant and equipments analysed by the geographical area in which the assets are located has not been presented as they are substantially located in the People's Republic of China.

6. GROSS PROFIT

The gross profit in 2001 was adversely affected not only by the difficult operating environment, but also by the following two considerations. Firstly, management conducted a careful review of business trends, past and present stock levels and the future materials requirements of the Group. This has resulted in an additional provision of approximately HK\$13.5 million in respect of aged and obsolete raw materials and a write-off of approximately HK\$14 million in respect of work in progress overstated in the previous year. Secondly, an exceptional discount of approximately HK\$7 million was granted in 2000 to a major customer to settle claims over shipments made in prior years in order to maintain goodwill and to avoid getting into long drawn-out legal actions.

Notes to the Financial Statements

For the year ended 31 December 2001

7. (LOSS) PROFIT FROM OPERATIONS

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration	136,509	142,153
Retirement benefits scheme contributions	1,752	1,886
Less: Forfeited contributions	(156)	(379)
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Net pension contributions*	1,596	1,507
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Total staff costs	138,105	143,660
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Auditors' remuneration:		
Provision for the year	1,292	1,301
Prior year underprovision	34	227
	<hr/>	<hr/>
	1,326	1,528
	<hr/>	<hr/>
Amortisation of goodwill		
– subsidiaries	355	11,318
– associates	290	239
	<hr/>	<hr/>
	645	11,557
	<hr/>	<hr/>
Impairment loss recognised in respect of goodwill		
– subsidiaries	2,638	63,211
– associates	–	3,662
	<hr/>	<hr/>
	2,638	66,873
	<hr/>	<hr/>
Loss on disposal of properties, plant and equipment	–	637
Exchange loss, net	1,771	510
Operating lease charges (note 28)	6,868	4,078
Depreciation	59,136	49,103
Unrealised loss on investments in securities	1	–
and after crediting:		
Gain on disposal of properties, plant and equipment	101	–
Rental income, net	430	1,040
Interest income	1,261	5,426
Dividends from investments in securities	1	1
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* There were no material unutilised forfeited contributions at the balance sheet dates.

Notes to the Financial Statements

For the year ended 31 December 2001

8. REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Directors' fees		
Executive	–	–
Non-executive	402	420
	<u>402</u>	<u>420</u>
Emoluments of executive directors		
Salaries and other benefits	9,202	11,295
Retirement benefit scheme contributions	284	273
	<u>9,486</u>	<u>11,568</u>
Total directors' remuneration	<u>9,888</u>	<u>11,988</u>

The emoluments of the directors were within the following bands:

	GROUP	
	2001 Number of directors	2000 Number of directors
Up to HK\$1,000,000	9	5
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$2,500,001 – HK\$3,000,000	–	2
	<u>14</u>	<u>10</u>

Notes to the Financial Statements

For the year ended 31 December 2001

8. REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES (Continued)

(b) Emoluments of the five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (2000: five) of them were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual (2000: nil) was within the band of HK\$1,000,001 to HK\$1,500,000 and was as follows:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	1,039	—
Contributions to retirement benefits schemes	46	—
Performance related incentive payments	81	—
	<u>1,166</u>	<u>—</u>

9. FINANCE COSTS

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Interest on bank borrowings and other loans wholly repayable within five years	23,087	41,864
Interest on other loans	312	1,807
	<u>23,399</u>	<u>43,671</u>

No interest was capitalised by the Group during the year.

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10. TAXATION

	GROUP	
	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit of the year		
– current year	–	4,376
– overprovision in prior year	(748)	–
Profits tax outside Hong Kong	8,340	9,503
Deferred taxation (<i>note 24</i>)	195	2,487
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	7,787	16,366
Share of taxation of associates	–	577
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	<u>7,787</u>	<u>16,943</u>

Taxation outside Hong Kong is calculated at the rate prevailing in the respective jurisdiction.

11. DIVIDENDS

	GROUP AND COMPANY	
	2001 HK\$'000	2000 HK\$'000
Interim dividend paid: nil (2000: 4 cents per share)	–	12,072
Final dividend proposed: nil (2000: 6 cents per share)	–	24,170
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	<u>–</u>	<u>36,242</u>

The Company paid the final dividend for the year ended 31 December 2000 amounting to HK\$24,170,000 in May 2001. The Board of Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2001.

12. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of the basic (loss) earnings per share is based on net loss attributable to shareholders of HK\$95,229,000 for the year ended 31 December 2001 (2000: profit of HK\$804,000 as restated) and on the weighted average of 390,976,272 shares (2000: 289,226,610 shares) in issue during the year.

Diluted (loss) earnings per share has not been presented as the Company has no dilutive potential shares outstanding during either year.

Notes to the Financial Statements

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13. INVESTMENT PROPERTIES

	GROUP HK\$'000
Balance as at 1 January 2001	24,550
Deficit arising on revaluation as at 31 December 2001	<u>(10,840)</u>
Balance as at 31 December 2001	<u><u>13,710</u></u>

The investment properties are held under the following lease terms :

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Long term lease in Hong Kong, at valuation	4,010	8,800
Medium-term land use right in other parts of the People's Republic of China (the "PRC"), at valuation	<u>9,700</u>	<u>15,750</u>
	<u><u>13,710</u></u>	<u><u>24,550</u></u>

The Group's investment properties were revalued as at 31 December 2001 on an open market value basis by Sallmanns (Far East) Limited, an independent firm of professional valuers. The valuation as at 31 December 2000 was carried out by Chung, Chan & Associates which is also an independent firm of professional valuers. The deficit arising on revaluation is charged to the income statement.

Certain of the Group's investment properties have been pledged to banks to secure banking facilities granted to the Group (note 31).

Notes to the Financial Statements

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14. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Properties for own use HK\$'000	Plant and machinery HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Plant and machinery under installation and factory buildings under construction HK\$'000	Total HK\$'000
GROUP						
COST OR VALUATION						
At 1 January 2001	341,659	533,916	50,155	22,108	11,712	959,550
Additions	695	21,999	5,655	1,380	50,723	80,452
Reclassification	–	31,195	639	–	(31,834)	–
Disposals	(4,125)	(8,630)	(5,812)	(2,616)	(2,329)	(23,512)
At 31 December 2001	338,229	578,480	50,637	20,872	28,272	1,016,490
Comprising:						
At cost	219,216	578,480	50,637	20,872	28,272	897,477
At valuation – 31.3.1994	58,620	–	–	–	–	58,620
– 31.3.1995	7,393	–	–	–	–	7,393
– 31.3.1998	45,400	–	–	–	–	45,400
– 31.3.2000	7,600	–	–	–	–	7,600
	338,229	578,480	50,637	20,872	28,272	1,016,490
DEPRECIATION						
At 1 January 2001	39,220	209,946	31,656	11,120	–	291,942
Provided for the year	7,019	41,942	7,179	2,996	–	59,136
Reclassification	(5,976)	3,369	1,176	1,431	–	–
Disposals	(589)	(4,943)	(4,258)	(2,146)	–	(11,936)
At 31 December 2001	39,674	250,314	35,753	13,401	–	339,142
NET BOOK VALUES						
At 31 December 2001	298,555	328,166	14,884	7,471	28,272	677,348
At 31 December 2000	302,439	323,970	18,499	10,988	11,712	667,608

Notes to the Financial Statements

For the year ended 31 December 2001

14. OTHER PROPERTIES, PLANT AND EQUIPMENT (Continued)

Some of the properties for own use were valued by an independent firm of professional valuers as at 31 March 1994 and 1995 on an open market value basis. Since the Group has adopted the transitional arrangement provided in paragraph 80 of SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants with regard to the requirement to make regular revaluations of non-investment properties, no further revaluation of the Group's non-investment properties have been carried out subsequent to 31 March 1995. Properties carried at 1998 and 2000 valuations are properties which were transferred from investment properties.

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Properties for own use comprise properties held under:		
Long term lease in Hong Kong	106,940	107,301
Medium-term lease in Hong Kong	9,120	9,343
Medium-term land use right in other parts of the PRC	182,495	185,795
	<u>298,555</u>	<u>302,439</u>

Had the non-investment properties of the Group been always carried at cost less accumulated depreciation, their carrying value at 31 December 2001 would be approximately HK\$285 million (2000: HK\$289 million).

15. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	<u>73,024</u>	<u>73,024</u>

Details of the Company's principal subsidiaries at 31 December 2001 are set out in note 34 to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2001

16. GOODWILL

	GROUP HK\$'000
COST	
At 1 January 2001 and 31 December 2001	<u>83,687</u>
AMORTISATION AND IMPAIRMENT	
At 1 January 2001	80,694
Charge for the year	355
Impairment loss recognised in the year	<u>2,638</u>
At 31 December 2001	<u>83,687</u>
NET BOOK VALUES	
At 31 December 2001	<u><u>–</u></u>
At 31 December 2000	<u><u>2,993</u></u>

Goodwill is amortised over estimated useful lives of 5 years.

During the year ended 31 December 2001, the Group curtailed the activities of certain of its subsidiaries which were previously acquired. These subsidiaries, which are engaged in the publication of magazines, have not performed up to expectations. An assessment of their future prospects is currently in process. Meanwhile, the balance of the unamortised goodwill of approximately HK\$2,638,000 relating to the acquisition of these subsidiaries is written off as an impairment loss in the income statement.

During the year ended 31 December 2000, the Group has recognised an impairment loss of unamortised goodwill amounting to HK\$63,211,000 of which amount of HK\$59,726,000 was related to a subsidiary engaged in financial printing business. In the opinion of the directors, the prospects of the financial printing business is severely affected by the significant downturn of the local financial market during the year. The directors did not expect to have a decent market recovery in an identifiable timeframe and had considered the unamortised balance of the goodwill be impaired. The remaining amount was related to those subsidiaries engaged in the publication of magazines which did not perform up to expectations.

Notes to the Financial Statements

For the year ended 31 December 2001

17. INTERESTS IN ASSOCIATES

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	50,977	34,245
Goodwill	<u>1,679</u>	<u>1,350</u>
	<u>52,656</u>	<u>35,595</u>

Details of the Group's associate at 31 December 2001 are set out in note 34 to the financial statements.

Movements on goodwill related to interests in associates during the year are as follows:

	GROUP HK\$'000
GOODWILL	
Cost	
At 1 January 2001	5,251
Arising on acquisition of additional interest in an associate	619
Eliminated on disposal of associates	<u>(3,854)</u>
At 31 December 2001	<u>2,016</u>
Amortisation and impairment	
At 1 January 2001	3,901
Charge for the year	290
Eliminated on disposal of associates	<u>(3,854)</u>
At 31 December 2001	<u>337</u>
Net book values	
At 31 December 2001	<u>1,679</u>
At 31 December 2000	<u>1,350</u>

Goodwill is amortised over estimated useful lives of 5 years.

In 2000, impairment loss of approximately of HK\$3.6 million was identified and recognised in the income statement as a result of an assessment of the future prospects and operating performance of an associate which was engaged in the information technology business and the business was scaled down during that year.

Notes to the Financial Statements

For the year ended 31 December 2001

18. INVENTORIES

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	88,990	173,324
Work in progress	30,639	63,285
Finished goods	8,013	28,063
	<u>127,642</u>	<u>264,672</u>

At 31 December 2001, raw materials of HK\$50,455,000 were carried at net realisable value. At 31 December 2000, substantially all inventories were carried at cost.

19. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows different credit periods to its trade customers depending on the type of printing services required. Credit periods vary from 0 to 180 days in accordance with industry practice.

The aging analysis of the Group's trade receivables is as follows:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Within credit period	174,334	158,687
0 – 30 days past due	19,291	29,154
31 – 60 days past due	11,874	16,462
61 – 90 days past due	4,688	7,469
Over 90 days past due	22,686	30,754
	<u>232,873</u>	<u>242,526</u>
Other debtors, deposits and prepayments	46,860	86,009
	<u>279,733</u>	<u>328,535</u>

Notes to the Financial Statements

For the year ended 31 December 2001

20. INVESTMENTS IN SECURITIES

Investments in securities comprise of investments in listed shares in Hong Kong and are stated at their market values at the balance sheet date.

21. CREDITORS AND ACCRUED CHARGES

The aging analysis of the Group's trade payables is as follows:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 30 days	56,830	65,599
31 – 60 days	10,062	11,839
61 – 90 days	2,804	3,788
91 – 120 days	2,548	1,155
Over 120 days	1,354	3,480
	<hr/>	<hr/>
	73,598	85,861
Other creditors and accrued charges	74,528	113,614
	<hr/>	<hr/>
	<u>148,126</u>	<u>199,475</u>

Notes to the Financial Statements

For the year ended 31 December 2001

22. BANK BORROWINGS

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts repayable within one year – unsecured	<u>10,680</u>	<u>17,021</u>	<u>3</u>	<u>323</u>
Trust receipt loans repayable within one year – unsecured	<u>19,614</u>	<u>57,704</u>	<u>–</u>	<u>–</u>
Short-term bank loans repayable within one year – secured	<u>5,000</u>	<u>28,037</u>	<u>–</u>	<u>–</u>
– unsecured	<u>109,196</u>	<u>191,943</u>	<u>–</u>	<u>–</u>
	<u>114,196</u>	<u>219,980</u>	<u>–</u>	<u>–</u>
Mortgage loans repayable within one year – secured	<u>–</u>	<u>600</u>	<u>–</u>	<u>–</u>
Machinery loans repayable within one year – secured	<u>–</u>	<u>2,270</u>	<u>–</u>	<u>–</u>
Other bank loans repayable: within one year or on demand – secured	<u>14,954</u>	<u>–</u>	<u>–</u>	<u>–</u>
– unsecured	<u>156,000</u>	<u>28,708</u>	<u>–</u>	<u>–</u>
in the second year – unsecured	<u>–</u>	<u>72,000</u>	<u>–</u>	<u>–</u>
in the third to fifth years, inclusive – unsecured	<u>–</u>	<u>84,000</u>	<u>–</u>	<u>–</u>
	<u>170,954</u>	<u>184,708</u>	<u>–</u>	<u>–</u>
Total interest – bearing bank borrowings	<u>315,444</u>	<u>482,283</u>	<u>3</u>	<u>323</u>
Amounts repayable within one year shown under current liabilities	<u>(315,444)</u>	<u>(326,283)</u>	<u>(3)</u>	<u>(323)</u>
Amounts repayable beyond one year shown as non-current liabilities	<u>–</u>	<u>156,000</u>	<u>–</u>	<u>–</u>
In summary: – secured	<u>19,954</u>	<u>30,907</u>	<u>–</u>	<u>–</u>
– unsecured	<u>295,490</u>	<u>451,376</u>	<u>3</u>	<u>323</u>
	<u>315,444</u>	<u>482,283</u>	<u>3</u>	<u>323</u>

The bank borrowings bear interest at prevailing market rates.

Notes to the Financial Statements

For the year ended 31 December 2001

22. BANK BORROWINGS (Continued)

Other bank loans of HK\$170,954,000 at 31 December 2001 comprise three loans, the scheduled repayments of which are approximately HK\$79.5 million in 2002 and approximately HK\$91.5 million in 2003. In the opinion of the directors, the HK\$91.5 million is included under short-term bank borrowings at the balance sheet date to reflect the potential early repayment in 2002.

23. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries consist of a balance of HK\$120,146,000 (2000: HK\$151,000,000) bear interest at prevailing market rates.

24. DEFERRED TAXATION

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
At 1 January	9,901	7,414
Charge for the year	195	2,487
At 31 December	<u>10,096</u>	<u>9,901</u>

At the balance sheet date, the major components of deferred tax liability (asset) which have been provided in the financial statements are attributable to the following timing differences:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	16,892	18,676
Taxation losses available to set off against future profits	(6,796)	(8,728)
Other	—	(47)
	<u>10,096</u>	<u>9,901</u>

Deficit arising from revaluation of the Group's properties, none of which is held for trading purposes, do not constitute timing differences for taxation purposes.

The Group and the Company had no material unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2001

25. SHARE CAPITAL

Shares

	2001		2000	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>	<u>500,000,000</u>	<u>50,000</u>
Issued:				
Shares of HK\$0.10 each:				
At 1 January	302,374,918	30,238	274,466,918	27,447
Issue of shares (see note (a) below)	100,792,000	10,079	30,000,000	3,000
Purchase of own shares during the year (see note (b) below)	<u>(430,000)</u>	<u>(43)</u>	<u>(2,092,000)</u>	<u>(209)</u>
At 31 December	<u>402,736,918</u>	<u>40,274</u>	<u>302,374,918</u>	<u>30,238</u>

Notes:

- (a) Pursuant to the subscription agreement entered into between the Company and Smurfit International B.V. ("Smurfit") as explained in a circular issued by the Company to its shareholders on 9 January 2001, Smurfit subscribed for a total of 100,792,000 new shares of the Company at a price of HK\$1.65 per share. The subscription price represented approximately 5% premium to the closing price per share of HK\$1.57 as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 December 2000. The subscription shares represented approximately 33% of the then existing issued share capital of the Company or approximately 25% of the enlarged issued share capital of the Company after the subscription.
- (b) During the year ended 31 December 2001, the Company repurchased some of its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares	Price per share		Consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
March	180,000	1.62	1.60	290
April	<u>250,000</u>	1.60	1.59	<u>399</u>
	<u>430,000</u>			<u>689</u>

The shares were cancelled subsequent to the repurchase.

25. SHARE CAPITAL *(Continued)*

Share Options

Under the share option scheme of the Company (the “Share Option Scheme”) which was approved on 9 May 2000, the Board of Directors of the Company may offer to directors and full time employees of the Company, or any of its subsidiaries, options to subscribe for shares of the Company.

The Stock Exchange of Hong Kong Limited has amended the requirements for share option schemes under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The new requirements have come into effect from 1 September 2001 and certain provisions of the Share Option Scheme of the Company are no longer applicable. The Company has not altered the Share Option Scheme or adopted a new scheme to comply with the new requirements up to the date of this report.

No share option has been granted or exercised under the scheme.

Notes to the Financial Statements

For the year ended 31 December 2001

26. RESERVES

	Property revaluation reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
GROUP								
At 1 January 2000, as previously stated	14,107	133,530	2,262	(16,114)	796	5,314	361,279	501,174
Derecognition of liability for the 1999 final dividend	-	-	-	-	-	-	19,213	19,213
Restatement and recognition of goodwill arising on acquisitions as an asset (goodwill was previously charged against reserves)	-	-	-	-	-	-	89,603	89,603
Restatement and recognition of negative goodwill arising on acquisitions as a deduction from asset which was previously credited to reserves	-	-	-	-	(796)	-	-	(796)
Retrospective recognition of accumulated amortisation charges in respect of the goodwill recognised	-	-	-	-	-	-	(15,124)	(15,124)
Retrospective recognition of income in respect of the negative goodwill recognised	-	-	-	-	-	-	796	796
At 1 January 2000, as restated	14,107	133,530	2,262	(16,114)	-	5,314	455,767	594,866
Changes in 2000:								
Capitalisation of reserves of a subsidiary	-	-	-	-	-	1,339	(1,339)	-
Premium on issue of shares	-	45,061	-	-	-	-	-	45,061
Premium paid on purchase of own shares	-	(3,036)	-	-	-	-	-	(3,036)
Transfer on purchase of own shares	-	-	209	-	-	-	(209)	-
Profit for the year ended 31 December 2000, as restated	-	-	-	-	-	-	804	804
Final dividend for 1999	-	-	-	-	-	-	(19,213)	(19,213)
Interim dividend for 2000	-	-	-	-	-	-	(12,072)	(12,072)
At 31 December 2000 and 1 January 2001, as restated	14,107	175,555	2,471	(16,114)	-	6,653	423,738	606,410
Changes in 2001:								
Capitalisation of reserves of a subsidiary	-	-	-	-	-	1,448	(1,448)	-
Premium on issue of shares	-	151,590	-	-	-	-	-	151,590
Premium paid on purchase of own shares	-	(646)	-	-	-	-	-	(646)
Transfer on purchase of own shares	-	-	43	-	-	-	(43)	-
Loss for the year ended 31 December 2001	-	-	-	-	-	-	(95,229)	(95,229)
Final dividend for 2000	-	-	-	-	-	-	(24,170)	(24,170)
At 31 December 2001	<u>14,107</u>	<u>326,499</u>	<u>2,514</u>	<u>(16,114)</u>	<u>-</u>	<u>8,101</u>	<u>302,848</u>	<u>637,955</u>

The amount of accumulated losses attributable to the associate as at 31 December 2001 was approximately HK\$5,086,000 (2000: HK\$2,909,000).

Notes to the Financial Statements

For the year ended 31 December 2001

26. RESERVES (Continued)

	Contributed surplus HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
COMPANY					
At 1 January 2000, as previously stated	63,516	133,530	2,262	261,112	460,420
Derecognition of liability for the 1999 final dividend	–	–	–	19,213	19,213
At 1 January 2000, as restated	63,516	133,530	2,262	280,325	479,633
Changes in 2000:					
Premium on issue of shares	–	45,061	–	–	45,061
Premium paid on purchase of own shares	–	(3,036)	–	–	(3,036)
Transfer on purchase of own shares	–	–	209	(209)	–
Profit for the year ended 31 December 2000	–	–	–	36,201	36,201
Final dividend for 1999	–	–	–	(19,213)	(19,213)
Interim dividend for 2000	–	–	–	(12,072)	(12,072)
At 31 December 2000	63,516	175,555	2,471	285,032	526,574
Changes in 2001:					
Premium on issue of shares	–	151,590	–	–	151,590
Premium paid on purchase of own shares	–	(646)	–	–	(646)
Transfer on purchase of own shares	–	–	43	(43)	–
Loss for the year ended 31 December 2001	–	–	–	(19,858)	(19,858)
Final dividend for 2000	–	–	–	(24,170)	(24,170)
At 31 December 2001	63,516	326,499	2,514	240,961	633,490

The other reserves of the Group represent the Group's share of the statutory reserves of a subsidiary in the PRC. These statutory reserves represent appropriations of the subsidiary's profits for designated purposes and are not distributable.

Notes to the Financial Statements

For the year ended 31 December 2001

26. RESERVES (Continued)

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's shares which were issued under a group reorganisation in 1991. In addition to the retained profits, the contributed surplus of the Company is also available for distribution to shareholders under company laws in Bermuda. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of (loss) profit before taxation to net cash inflow from operating activities :

	2001 HK\$'000	2000 HK\$'000
(Loss) profit before taxation	(79,799)	32,102
Deficit on revaluation of investment properties	10,840	50
Share of results of associates	3,323	2,846
Loss (gain) on disposal of an associate	300	(1,673)
Depreciation	59,136	49,103
Amortisation of goodwill	645	11,557
Impairment loss recognised in respect of goodwill	2,638	66,873
Unrealised loss on investments in securities	1	–
Allowance for bad and doubtful debts	43,239	21,588
Provision for inventories	13,556	–
Interest expense	23,399	43,671
Interest income	(1,261)	(5,426)
Rental income from investment properties	(454)	(1,112)
Dividends from investments in securities	(1)	(1)
(Gain) loss on disposal of property, plant and equipment	(101)	637
Decrease (increase) in inventories	123,474	(69,691)
Decrease (increase) in debtors, deposits and prepayments	5,563	(15,033)
Decrease in creditors and accrued charges	(51,349)	(68,932)
(Decrease) increase in bills payable	(41,834)	53,288
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>111,315</u>	<u>119,847</u>

Notes to the Financial Statements

For the year ended 31 December 2001

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries

On 7 December 2000, the Group acquired the remaining equity interest of Publishing Partners Limited and its subsidiaries (formerly associates of the Group), which were previously not held by the Group, for a consideration of HK\$3,117,000. This transaction was accounted for by the acquisition method of accounting.

	2001 HK\$'000	2000 HK\$'000
Assets (liabilities) acquired:		
Property, plant and equipment	–	788
Debtors, deposits and prepayments	–	6,481
Cash and bank balances	–	95
Creditors and accrued charges	–	(7,217)
Interests in associates previously recognised	–	(73)
	<hr/>	<hr/>
Net assets acquired	–	74
Consideration	–	3,117
	<hr/>	<hr/>
Goodwill arising on acquisition	–	3,043
	<hr/> <hr/>	<hr/> <hr/>
Consideration satisfied by:		
Cash paid	–	3,117
	<hr/> <hr/>	<hr/> <hr/>
Net cash outflow from acquisition:		
Cash paid	–	(3,117)
Cash and bank balances acquired	–	95
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

As the acquisition dates were close to the financial year end of the Group, the acquired subsidiaries did not contribute significantly to the Group's cash from operations, nor did they receive any significant returns on investments nor utilise any material resources on investing activities in the year of the acquisition.

Notes to the Financial Statements

For the year ended 31 December 2001

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Analysis of the changes in financing during the year

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Minority interests HK\$'000
Balance at 1 January 2000	160,978	380,418	72,803
Changes in 2000:			
Issue of shares	48,061	–	–
Purchase of own shares	(3,246)	–	–
Borrowings raised during the year	–	277,623	–
Repayments during the year	–	(250,483)	–
Profit attributable to minority shareholders	–	–	14,355
Dividends paid to minority shareholders	–	–	(10,549)
Balance at 31 December 2000	205,793	407,558	76,609
Changes in 2001:			
Issue of shares	161,669	–	–
Purchase of own shares	(689)	–	–
Borrowings raised during the year	–	48,776	–
Repayments during the year	–	(171,184)	–
Profit attributable to minority shareholders	–	–	7,643
Dividends paid to minority shareholders	–	–	(19,321)
Balance at 31 December 2001	<u>366,773</u>	<u>285,150</u>	<u>64,931</u>

Notes to the Financial Statements

For the year ended 31 December 2001

28. OPERATING LEASES

	GROUP	
	2001 HK\$'000	2000 HK\$'000
The Group as lessee:		
Lease payments charged to the income statement during the year		
– premises	3,530	2,358
– plant and machinery	3,338	1,720
	<u>6,868</u>	<u>4,078</u>

Under the leases entered into by the Group, the lease payments are fixed and predetermined.

At 31 December 2001, the amounts of future lease payments under non-cancellable operating leases are payable as follows:

	GROUP			
	Premises		Plant and machinery	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	2,205	4,038	1,058	972
After one year and not later than five years	2,192	7,004	3,503	4,562
	<u>4,397</u>	<u>11,042</u>	<u>4,561</u>	<u>5,534</u>

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

The Group as lessor:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Rental income credited to the income statement during the year before deduction of outgoings of HK\$24,000 (2000: HK\$72,000)	<u>454</u>	<u>1,112</u>

Notes to the Financial Statements

For the year ended 31 December 2001

28. OPERATING LEASES (Continued)

The Group's investment properties are held for rental purposes. The properties held have committed tenants for periods up to three years. At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	449	392
After one year and not later than five years	384	60
	<u>833</u>	<u>452</u>

29. CAPITAL COMMITMENTS

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of plant, machinery and equipment	<u>19,921</u>	<u>33,973</u>

The Company had no capital commitment at the balance sheet date.

30. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Export bills discounted with recourse	<u>18,089</u>	<u>71,343</u>	<u>–</u>	<u>–</u>
Guarantees given to banks in respect of banking facilities granted to				
– subsidiaries	–	–	1,423,877	1,330,779
– associates	<u>31,200</u>	<u>40,560</u>	<u>31,200</u>	<u>40,560</u>
	<u>31,200</u>	<u>40,560</u>	<u>1,455,077</u>	<u>1,371,339</u>

Notes to the Financial Statements

For the year ended 31 December 2001

31. PLEDGE OF ASSETS

At 31 December 2001, the Group's borrowings were secured by the following assets of the Group:

- (a) investment and other properties with carrying values of approximately HK\$4 million (2000: HK\$9 million) and HK\$186 million (2000: HK\$184 million) respectively;
- (b) other plant and equipment with an aggregate book value of approximately HK\$22 million (2000: HK\$23 million); and
- (c) bank deposits of approximately HK\$2 million (2000: nil).

32. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group purchased paper amounting to approximately HK\$52,206,000 (2000: HK\$41,311,000) from 上海金葉包裝材料有限公司, a company in which 上海紡印印刷包裝有限公司 holds 37% interest. 上海紡印印刷包裝有限公司 holds 41% interest in a subsidiary of the Company. The purchase prices were determined between the Group and the vendor by reference to market prices.
- (b) During the year ended 31 December 2000, the Group advanced a sum of approximately HK\$17,757,000 to 上海紡印印刷包裝有限公司. The advance bore interest of 6.435% per annum. The advance and the accrued interest thereon were fully repaid in March 2001. The interest income receivable by the Group for the year amounted to HK\$219,000.

33. POST BALANCE SHEET EVENTS

- (a) As announced by the Company on 9 January 2002, and in a circular issued by the Company to its shareholders dated 30 January 2002, the Company had entered into a purchase agreement with Smurfit International B.V. ("Smurfit"), a substantial shareholder of the Company.

Under the purchase agreement, the Group has agreed to purchase fibre based products from Smurfit, its subsidiaries and associates. The purchase agreement shall have an initial term of three years from 1 January 2002 after it shall automatically be renewed for one year periods unless otherwise terminated in accordance with the provision therein. The aggregate total purchases for each of the three financial years ending 31 December 2004 is subject to a cap amount of HK\$70,000,000 per annum.

The price for the products will be negotiated on an order-by-order basis, based on arm's length negotiation.

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For the year ended 31 December 2001

33. POST BALANCE SHEET EVENTS (Continued)

- (b) As announced by the Company on 7 March 2002, and in a circular issued by the Company to its shareholders dated 20 March 2002, a non-wholly owned subsidiary of the Company (“the Shanghai JV”) had entered into a sales agreement with 上海金葉包裝材料有限公司. The Shanghai JV is established under the laws of PRC and is owned as to 51% by the Company, 41% by 上海紡印印刷包裝有限公司 and 8% collectively by 上海紡織發展總公司 and 上海紡織對外經濟技術合作公司 which are independent of the Company.

Under the sales agreement, the Shanghai JV has agreed to sell packaging materials for tobacco to 上海金葉包裝材料有限公司, for a term of three years from 1 January 2002. The sales for each of the three financial years ending 31 December 2004 shall not exceed a cap amount of RMB120 million, RMB132 million and RMB145.2 million respectively.

The parties will negotiate the price and payment terms for the goods on an order-by-order basis, based on arm’s length negotiation and with reference to the prices offered by the Shanghai JV to other independent customers for a similar amount and quality of goods.

34. PRINCIPAL SUBSIDIARIES AND ASSOCIATE

Details of the principal subsidiaries at 31 December 2001 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued capital	Attributable equity interest of the Group	Principal activities
Dongguan Gold Art Packaging Co., Ltd.	PRC	US\$5,039,000	100%	Property holding and packaging printing
Faith Well Limited	Hong Kong/PRC	HK\$2	100%	Property holding
Geltin Limited	Hong Kong	HK\$1,000	100%	Property holding
Kam Bright Limited	Hong Kong/PRC	HK\$2	100%	Property holding
Lakesview Limited	Hong Kong	HK\$2	100%	Property holding
Leefung-Asco Printers Limited	Hong Kong	Ordinary – HK\$10,000 Deferred – HK\$7,500,000	100% 100%	Investment holding, book and magazine printing

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34. PRINCIPAL SUBSIDIARIES AND ASSOCIATE (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued capital	Attributable equity interest of the Group	Principal activities
Leefung-Asco Printers Investments Limited	British Virgin Islands	US\$100	100%	Investment holding
Leefung-Asco Printers (Shenzhen) Co., Ltd.	PRC	US\$15,000,000	100%	Book, magazine and packaging printing
Leefung-Asco Printers Trading Limited	Hong Kong	HK\$2	100%	Book, magazine and packaging trading
深圳利豐雅高印刷有限公司	PRC	US\$1,500,000	90%	Book and magazine printing
Publishing Partners Limited	Hong Kong	HK\$20,430,000	100%	Investment holding
Racing World Publications Limited	Hong Kong	HK\$1,000	100%	Publishing
Rich Ho Limited	Hong Kong/PRC	HK\$2	100%	Property holding
Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd.	PRC	US\$12,025,000	51%	Packaging printing
Shenzhen Leefung-Asco Graphics Co., Ltd.	PRC	US\$1,500,000	90%	Colour separation
Vite Limited	Hong Kong	HK\$100	100%	Financial printing

Other than Leefung-Asco Printers Investments Limited which is held directly by the Company, all subsidiaries are held by the Company indirectly.

None of the subsidiaries had any debt security subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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For the year ended 31 December 2001

34. PRINCIPAL SUBSIDIARIES AND ASSOCIATE (Continued)

Details of the Group's associate which is held by the Company indirectly, at 31 December 2001 are as follows:

Name of associate	Place of registration/ operation	Attributable equity interest of the Group	Principal activities
Beijing Leefung-Asco Changcheng Printers Limited	PRC	47%	Book and magazine printing