

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of significant accounting policies adopted by the Group is set out below.

### (b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

### (c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(g)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Fixed assets

- (i) Fixed assets are carried in the balance sheets at cost less accumulated depreciation (see note 1(f)) and impairment losses (see note 1(g)), with the exception of properties under development which are stated at cost less impairment losses (see note 1(g)).
- (ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

### (e) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

#### (i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(g). Finance charges implicit in the lease payments are charged to the profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Leased assets (continued)

#### (ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made.

### (f) Depreciation

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight line basis starting from the date when the asset is put into effective use as follows:

- leasehold land is amortised on a straight-line basis over the remaining terms of the leases;
- buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases; and
- other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery	10 - 15 years
Tools	10 years
Furniture and fixtures	5 - 10 years
Computer and office equipment	5 - 6 years
Motor vehicles	5 - 6 years

- no depreciation is provided in respect of properties under development.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets and investments in subsidiaries may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

#### (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### (ii) Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (i) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

### (j) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

#### (i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added and other sales taxes and is after deduction of any trade discounts.

#### (ii) Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

#### (iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account, except those arising from the translation at closing rates of the net investment in subsidiaries outside Hong Kong, which are taken directly to the exchange reserve.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are retranslated at the rates of exchange ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.

### (n) Retirement costs

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

### (o) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (p) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen geographical segment information based on the location of assets as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.



# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 2 TURNOVER

The principal activities of the Group are the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

Turnover represents the invoiced value of goods sold, net of sales tax, returns and discounts.

## 3 INCOME

	<b>2002</b>	<b>2001</b>
	<i>\$'000</i>	<i>\$'000</i>
<b>(a) Other revenue</b>		
Interest income	<b>310</b>	597
Forfeiture income	<b>2</b>	568
Insurance and other claims	<b>—</b>	352
Others	<b>596</b>	418
	<b>908</b>	1,935
<b>(b) Other net income/(loss)</b>		
Gain/(loss) on disposal of fixed assets	<b>313</b>	(296)
Exchange loss	<b>(144)</b>	(709)
Others	<b>(53)</b>	(46)
	<b>116</b>	(1,051)

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Finance costs:</b>		
Finance charges on obligations under finance leases	632	874
Interest on bank overdrafts and advances repayable within five years	11,813	14,873
Total borrowing costs	12,445	15,747
Less: Borrowing costs capitalised into properties under development *	(404)	—
	12,041	15,747

\* The borrowing costs have been capitalised at a rate of 5.6% per annum for properties under development.

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Other items:</b>		
Cost of inventories #	342,187	351,979
Staff costs (including retirement costs of \$2,923,000 (2001: \$2,088,000)) #	90,353	84,469
Auditors' remuneration	719	578
Depreciation #		
- owned assets	25,411	24,094
- assets held under finance leases	1,944	1,614
Operating lease charges for land and buildings #	848	340

# Cost of inventories includes \$90,026,000 (2001: \$86,335,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
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## 5 TAXATION

(a) **Taxation in the consolidated profit and loss account represents:**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for Hong Kong profits tax for the year	<b>49</b>	31
Underprovision in respect of prior years	<b>13</b>	—
	<b>62</b>	31
Provision for People's Republic of China income tax	<b>4,025</b>	7,383
	<b>4,087</b>	7,414

The provision for Hong Kong profits tax is calculated at 16% (2001: 16%) on the estimated assessable profits for the year.

Provision for People's Republic of China ("PRC") income tax is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the PRC during the year.

No provision for taxation has been made in the financial statements of the Company as the Company did not earn any income subject to Hong Kong profits tax during the year.

(b) **Taxation in the consolidated balance sheet represents:**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for Hong Kong profits tax for the year	<b>49</b>	31
Provisional profits tax paid	<b>(44)</b>	(560)
	<b>5</b>	(529)
Balance of profits tax recoverable relating to prior year	<b>(38)</b>	(38)
	<b>(33)</b>	(567)
PRC income tax payable	<b>1,798</b>	1,965
	<b>1,765</b>	1,398

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
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## 6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees	<b>150</b>	90
Salaries, allowances and benefits in kind	<b>3,664</b>	3,649
	<b>3,814</b>	3,739

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Included in the Directors' remuneration were fees of \$150,000 (2001: \$90,000) paid to Independent Non-Executive Directors during the year.

The Directors' remuneration is within the following bands:

	<b>Number of</b>	<b>Number of</b>
	<b>directors</b>	<b>directors</b>
	<b>2002</b>	<b>2001</b>
Nil to \$1,000,000	<b>8</b>	8

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# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
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## 7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2001: three) are Directors whose emoluments are disclosed in note 6. The aggregate of the emoluments of the other two (2001: two) individuals are as follows:

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries, allowances and benefits in kind	<b>2,275</b>	2,201
Discretionary bonuses	—	—
	<b>2,275</b>	2,201

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The emoluments of the above two (2001: two) individuals with the highest emoluments are within the following bands:

	<b>Number of</b>	<b>Number of</b>
	<b>individuals</b>	<b>individuals</b>
	<b>2002</b>	<b>2001</b>
Nil to \$1,000,000	<b>1</b>	1
\$1,000,001 to \$1,500,000	<b>1</b>	1

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## 8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of \$6,465,000 (2001 (restated): \$9,765,000) which has been dealt with in the financial statements of the Company.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
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## 9 DIVIDENDS

### (a) Dividends attributable to the year

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend declared and paid of 1.0 cent per share (2001: 2.0 cents per share)	<b>2,225</b>	4,450
Final dividend proposed after the balance sheet date of Nil cents per share (2001: 1.5 cents per share)	—	3,338
	<b>2,225</b>	<b>7,788</b>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

### (b) Dividends attributable to the previous financial year, approved and paid during the year

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.5 cents per share (2001: 2.5 cents per share)	<b>3,338</b>	5,563

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$8,354,000 (2001: \$18,559,000) and on the number of 222,529,000 (2001: 222,529,000) shares in issue during the year.

### (b) Diluted earnings per share

There were no dilutive potential shares during 2002 and 2001.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
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## 11 CHANGE IN ACCOUNTING POLICY

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st April, 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) issued by the Hong Kong Society of Accountants, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries is recognised as income in the Company's profit and loss account in the accounting period in which they are declared.

The new accounting policy has no impact on the Group's net assets as at the year end (2001: an increase of net assets by \$3,338,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

## 12 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

No business segment information is presented as all the Group's turnover and operating result are generated from the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

### **Geographical segments by the location of assets and by the location of customers**

The Group's business principally participates in two economic environments classified by the location of assets, i.e. Hong Kong and the other areas of the PRC.

The Group's geographical segments are also classified according to the locations of customers. There are five customer-based geographical segments. Hong Kong and other areas of the PRC are major markets for the Group's business.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
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## 12 SEGMENT REPORTING (Continued)

When presenting information on the basis of geographical segments, segment information is based on the geographical location of assets unless otherwise stated. Segment revenue from external customers is further analysed by the geographical location of customers, where the location of customers is different from the location of assets and segment revenue is 10% or more of the Group's total revenue from all external customers.

	Hong Kong		Other areas of the PRC		Inter-segment elimination		Unallocated		Consolidated	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<i>Location of assets</i>										
Revenue from external customers	279,364	313,159	146,071	141,629	—	—	—	—	425,435	454,788
Inter-segment revenue	70,027	62,206	84,993	86,259	(155,020)	(148,465)	—	—	—	—
Other revenue	238	934	360	404	—	—	310	597	908	1,935
<b>Total revenue</b>	<b>349,629</b>	<b>376,299</b>	<b>231,424</b>	<b>228,292</b>	<b>(155,020)</b>	<b>(148,465)</b>	<b>310</b>	<b>597</b>	<b>426,343</b>	<b>456,723</b>
Segment result	12,925	4,985	16,036	40,818					28,961	45,803
Inter-segment transactions	14,966	24,053	(14,966)	(24,053)					—	—
Contribution from operations	27,891	29,038	1,070	16,765					28,961	45,803
Unallocated operating income and expenses									(4,479)	(4,083)
Profit from operations									24,482	41,720
Finance costs									(12,041)	(15,747)
Taxation									(4,087)	(7,414)
Profit attributable to shareholders									8,354	18,559
Depreciation and amortisation for the year	14,442	13,453	12,913	12,255						



# NOTES ON THE FINANCIAL STATEMENTS

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## 12 SEGMENT REPORTING (Continued)

	Hong Kong		Other areas of the PRC		United States		Europe		Other Countries		Inter-segment elimination		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	360,681	381,301	262,155	213,926	—	—	—	—	—	—	(69,334)	(52,759)	553,502	542,468
Unallocated assets													31,411	30,334
<b>Total assets</b>													<b>584,913</b>	<b>572,802</b>
Segment liabilities	88,585	94,258	75,746	77,631	—	—	—	—	—	—	(69,334)	(52,759)	94,997	119,130
Unallocated liabilities													230,589	196,850
<b>Total liabilities</b>													<b>325,586</b>	<b>315,980</b>
Capital expenditure incurred during the year	10,998	31,188	30,746	20,169	—	—	—	—	—	—	—	—		
<i>Additional information concerning geographical segments:</i>														
Revenue from external customers by the location of customers	146,352	170,321	146,087	143,509	99,132	100,739	22,600	24,774	11,264	15,445				

# NOTES ON THE FINANCIAL STATEMENTS

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## 13 FIXED ASSETS

### Group

	Properties		Machinery		Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles		Total
	Land and buildings	under development	Owned	Leased				Owned	Leased	
	\$'000	\$'000	\$'000	\$'000				\$'000	\$'000	
<b>Cost:</b>										
At 1st April, 2001	196,897	8,718	230,619	25,670	6,845	20,780	16,253	9,596	1,308	516,686
Additions	14	26,286	5,969	6,203	264	646	1,461	901	—	41,744
Disposals	(359)	—	—	—	—	—	(15)	(712)	—	(1,086)
Reclassification	8,986	(8,986)	13,990	(13,990)	—	—	—	—	—	—
At 31st March, 2002	205,538	26,018	250,578	17,883	7,109	21,426	17,699	9,785	1,308	557,344
<b>Aggregate depreciation:</b>										
At 1st April, 2001	31,088	—	88,983	3,874	3,072	14,904	9,234	6,430	261	157,846
Charge for the year	5,960	—	14,063	1,682	588	1,409	2,178	1,213	262	27,355
Written back on disposal	(80)	—	—	—	—	—	(5)	(712)	—	(797)
Reclassification	—	—	4,617	(4,617)	—	—	—	—	—	—
At 31st March, 2002	36,968	—	107,663	939	3,660	16,313	11,407	6,931	523	184,404
<b>Net book value:</b>										
At 31st March, 2002	168,570	26,018	142,915	16,944	3,449	5,113	6,292	2,854	785	372,940
At 31st March, 2001	165,809	8,718	141,636	21,796	3,773	5,876	7,019	3,166	1,047	358,840

(a) The analysis of cost of land and buildings is as follows:

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Situated in Hong Kong and held under medium term leases	<b>120,363</b>	120,363
Situated outside Hong Kong and held under medium term leases	<b>85,175</b>	76,534
	<b>205,538</b>	196,897

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 13 FIXED ASSETS (Continued)

- (b) The Group leases production plant and machinery under finance leases expiring from one to four years. At the end of the lease term, the Group has the option to purchase the plant and machinery at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

## 14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	\$'000	\$'000
Unlisted shares, at cost	82,360	82,360
Amounts due from subsidiaries	45,031	44,110
	127,391	126,470

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Particulars of issued capital	Percentage of ownership interest held by company		Principal activities
			Directly	Indirectly	
New Island Printing Company Limited	Hong Kong	2 ordinary shares of \$100 each  10,000 non-voting deferred shares of \$100 each	—	100	Printing business
Sonic Manufacturing Company Limited	Hong Kong	2 ordinary shares of \$100 each  1,000 non-voting deferred shares of \$100 each	—	100	Sub-contracting in printing and packaging
Dongguan New Island Printing Company Limited	PRC	Registered capital of \$68,000,000	—	100	Production and distribution of paper products
Shanghai New Island Packaging Printing Company Limited	PRC	Registered capital of US\$5,700,000	—	100	Production and distribution of paper products

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 15 INVENTORIES

	Group	
	2002	2001
	\$'000	\$'000
Raw materials	44,218	43,455
Work in progress	28,733	32,867
Finished goods	12,545	4,620
	85,496	80,942

## 16 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to \$235,000 (2001: \$333,000), are expected to be recovered within one year.

Included in trade debtors, prepayments and deposits are trade debtors with the following ageing analysis:

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Current	42,175	50,084	—	—
One to three months overdue	33,380	32,508	—	—
More than three months overdue	11,565	14,889	—	—
	87,120	97,481	—	—

Debts are due within 30 to 90 days from the date of billing.

## 17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Deposits with bank	—	2,323	—	—
Cash at bank and in hand	31,537	28,057	34	35
	31,537	30,380	34	35

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 18 BANK LOANS AND OVERDRAFTS

At 31st March, 2002, the bank loans and overdrafts were repayable as follows:

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	<b>145,454</b>	125,237
After one but within two years	<b>27,211</b>	28,288
After two but within five years	<b>44,700</b>	28,854
	<b>71,911</b>	57,142
	<b>217,365</b>	182,379

At 31st March, 2002, the bank loans and overdrafts were secured as follows:

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank overdrafts		
- secured	<b>8,386</b>	16,816
- unsecured	<b>21,530</b>	29,383
	<b>29,916</b>	46,199
Bank loans		
- secured	<b>142,577</b>	121,013
- unsecured	<b>44,872</b>	15,167
	<b>187,449</b>	136,180
	<b>217,365</b>	182,379

Certain banking facilities and loans granted to the Group are secured by mortgages over the Group's land, buildings and machinery with an aggregate carrying value of \$232,823,000 (2001: \$247,218,000) at 31st March, 2002. Such banking facilities, amounting to \$225,488,000 (2001: \$168,930,000) were utilised to the extent of \$172,945,000 (2001: \$142,086,000) at 31st March, 2002.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 19 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2002, the Group had obligations under finance leases repayable as follows:

	2002			2001		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
Within one year	4,320	359	4,679	5,100	784	5,884
After one year but within two years	4,110	191	4,301	3,263	491	3,754
After two years but within five years	3,029	54	3,083	4,710	278	4,988
	7,139	245	7,384	7,973	769	8,742
	11,459	604	12,063	13,073	1,553	14,626

## 20 TRADE CREDITORS AND ACCRUED CHARGES

Included in trade creditors and accrued charges are trade creditors with the following ageing analysis:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current	21,884	29,732	—	—
One to three months overdue	18,954	16,836	—	—
More than three months overdue	4,965	3,247	—	—
	45,803	49,815	—	—

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 21 BILLS PAYABLE

An ageing analysis of bills payables is as follows:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Due within one month	13,378	13,591	—	—
Due after one month but within two months	10,553	16,331	—	—
Due after two months but within three months	7,283	10,706	—	—
	<b>31,214</b>	40,628	—	—

## 22 DEFERRED TAXATION

Major components of the unprovided potential assets and liabilities are:

	Group	
	2002 \$'000	2001 \$'000
Depreciation allowances in excess of the related depreciation	19,991	19,150
Future benefits of tax losses	(1,536)	(1,677)
Other timing differences	(346)	(493)
	<b>18,109</b>	16,980

The Directors consider that these potential liabilities will not crystallise in the foreseeable future as the timing differences will be replaced by similar timing differences from the Group's capital expenditure in the coming years and thus not reverse. Accordingly, no provision for deferred taxation has been made.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 23 SHARE CAPITAL

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Authorised:</b>		
380,000,000 shares of \$0.1 each	<b>38,000</b>	38,000
<b>Issued and fully paid:</b>		
222,529,000 shares of \$0.1 each	<b>22,253</b>	22,253

Under the Company's Share Option Scheme ("the Scheme") which was adopted as an incentive to the employees of the Group, the Directors of the Company may, at their discretion, invite any employees, including directors, of any company in the Group, to take up options to subscribe for shares of the Company. For options granted before 1st September, 2001, the exercise price of options was determined by the Board of Directors of the Company, which would not be less than 80 per cent. of the average closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days preceding the date of offer of the option or the nominal value of the shares if higher. For options granted on or after 1st September, 2001, the exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. The maximum number of shares in respect of which options may be granted may not exceed 10 per cent. of the issued share capital. The offer of a grant of options must be accepted within 28 days from the date of offer with a payment of nominal consideration of \$1.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price. The options are exercisable for a period of up to three years commencing on the expiry of six months after the date on which the option is accepted. Full amount of the exercise price must be paid upon the exercise of options. The Scheme remains in force for a period of 10 years commencing on 25th March, 1993.

No option was granted, exercised, lapsed or cancelled during the year. There were no outstanding share options at 31st March, 2002.



# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 24 Reserves

### (a) Group

	Share premium \$'000	Exchange reserve \$'000	Statutory surplus reserves \$'000	Retained profits \$'000	Total \$'000
At 1st April, 2000					
- as previously reported	37,741	(4,990)	3,105	185,340	221,196
- prior period adjustments in respect of dividend proposed (note 11)	—	—	—	5,563	5,563
- as restated	37,741	(4,990)	3,105	190,903	226,759
Dividends approved in respect of the previous year (note 9(b))	—	—	—	(5,563)	(5,563)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(736)	—	—	(736)
Transfer	—	—	3,573	(3,573)	—
Profit for the year	—	—	—	18,559	18,559
Dividends declared in respect of the current year (note 9(a))	—	—	—	(4,450)	(4,450)
At 31st March, 2001	37,741	(5,726)	6,678	195,876	234,569
At 1st April, 2001					
- as previously reported	37,741	(5,726)	6,678	192,538	231,231
- prior period adjustments in respect of dividend proposed (note 11)	—	—	—	3,338	3,338
- as restated	37,741	(5,726)	6,678	195,876	234,569
Dividends approved in respect of the previous year (note 9(b))	—	—	—	(3,338)	(3,338)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(286)	—	—	(286)
Transfer	—	—	3,651	(3,651)	—
Profit for the year	—	—	—	8,354	8,354
Dividends declared in respect of the current year (note 9(a))	—	—	—	(2,225)	(2,225)
At 31st March, 2002	37,741	(6,012)	10,329	195,016	237,074

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 24 RESERVES (Continued)

### (a) Group (Continued)

The exchange reserve has been set up and will be dealt with in accordance with the accounting policy adopted for foreign currency translation (note 1(m)).

According to the prevailing PRC Company Law and the PRC subsidiaries' articles of association, the PRC subsidiaries are required to transfer a certain percentage of its profit after taxation to statutory surplus reserves until the surplus reserve balance reaches 50% of the registered capital of the PRC subsidiaries. The transfer to these reserves has to be made before distribution of dividend to shareholders.

The statutory surplus reserves can be used to make good previous years' losses, and are not distributable to shareholders.

### (b) Company

	Share premium \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
At 1st April, 2000				
- as previously reported	37,741	67,360	(493)	104,608
- prior period adjustments in respect of:				
- dividend proposed (note 11)	—	—	5,563	5,563
- dividend income (note 11)	—	—	(5,720)	(5,720)
- as restated	37,741	67,360	(650)	104,451
Dividends approved in respect of the previous year (note 9(b))	—	—	(5,563)	(5,563)
Profit for the year (note 8)	—	—	9,765	9,765
Dividends declared in respect of the current year (note 9(a))	—	—	(4,450)	(4,450)
<b>At 31st March, 2001</b>	<b>37,741</b>	<b>67,360</b>	<b>(898)</b>	<b>104,203</b>
At 1st April, 2001				
- as previously reported	37,741	67,360	(488)	104,613
- prior period adjustments in respect of:				
- dividend proposed (note 11)	—	—	3,338	3,338
- dividend income (note 11)	—	—	(3,748)	(3,748)
- as restated	37,741	67,360	(898)	104,203
Dividends approved in respect of the previous year (note 9(b))	—	—	(3,338)	(3,338)
Profit for the year (note 8)	—	—	6,465	6,465
Dividends declared in respect of the current year (note 9(a))	—	—	(2,225)	(2,225)
<b>At 31st March, 2002</b>	<b>37,741</b>	<b>67,360</b>	<b>4</b>	<b>105,105</b>

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 24 RESERVES (Continued)

### (b) Company (Continued)

The application of the share premium account is governed by the Companies Act 1981 of Bermuda (as amended) ("Companies Act").

The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1993 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act and the bye-laws of the Company, the contributed surplus is distributable to shareholders.

The Company's reserves available for distribution to shareholders at 31st March, 2002 are \$67,364,000 (2001: \$66,462,000). After the balance sheet date the directors did not recommend the payment of a final dividend for the year ended 31st March, 2002 (2001: 1.5 cents per share and a total of \$3,338,000). No dividend proposed after the balance sheet date has been recognised as a liability at the balance sheet date.

## 25 CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of \$377 million (2001: \$260 million) granted to a subsidiary, of which \$227 million (2001: \$216 million) was utilised at 31st March, 2002.

## 26 COMMITMENTS

### (a) Capital commitments outstanding at 31st March, 2002 not provided for in the financial statements were as follows:

At 31st March, 2002, the Group had outstanding commitments in respect of the acquisition of land, plant and machinery of \$44,746,000 (2001: \$6,670,000).

### (b) Commitments under operating leases

At 31st March, 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2002	2001
	\$'000	\$'000
Within one year	240	180
After one year but within five years	60	20
	<b>300</b>	<b>200</b>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

# NOTES ON THE FINANCIAL STATEMENTS

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*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## **26 COMMITMENTS** *(Continued)*

### **(c) Other commitments**

At 31st March, 2002, the Group had commitments to contribute capital of \$19,730,000 (2001: \$Nil) to a subsidiary in the PRC.

## **27 RETIREMENT SCHEME**

Prior to December 2000, the Group operated a defined contribution staff provident fund scheme (the "Scheme") for all qualifying employees. The Group was required to make contributions to the Scheme equal to 5% of the salaries of the employees who were eligible to join the Scheme. The assets of the Scheme were held separately from those of the Group in independently administered funds.

In December 2000, the Group established a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees. All the then existing members of the Scheme were transferred to the MPF Scheme.

The Company's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee and in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

The Group's contributions to the two schemes for the year of \$2,923,000 (2001: \$2,088,000) are charged to the profit and loss account.

## **28 RELATED PARTY TRANSACTIONS**

During the year, the Group entered into transactions with companies which are controlled by an Independent Non-Executive Director amounting to \$14,395,000 (2001: \$13,784,000), under normal commercial terms.

Apart from the above, the Group has not entered into any other material related party transactions during the year.

## **29 ULTIMATE HOLDING COMPANY**

The directors consider the ultimate holding company at 31st March, 2002 to be Ka Chau Enterprises (B.V.I.) Ltd, incorporated in the British Virgin Islands.