1 GROUP REORGANISATION AND BASIS OF PRESENTATION

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

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

(c) Merger accounting is adopted in the presentation of the Group's consolidated accounts pursuant to Statements of Standard Accounting Practice ("SSAP") 2.127 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). The consolidated accounts of the Group for the year ended 31st March 2002, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

(d) The difference between the nominal value of the shares of New Master Group Limited ("New Master"), the holding company of the Group immediately prior to the Reorganisation, acquired pursuant to the Reorganisation and the nominal value of the Company's shares issued in exchange thereof is dealt with in the capital reserve on consolidation.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The consolidated accounts including the accounts of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKSA. They have been prepared under the historical cost convention as modified by the revaluation of certain leasehold land and buildings and plant and machinery as disclosed in the accounting policies below.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

In the current year, the Group adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(b) Group accounting

(i) Consolidation

The Reorganisation referred to in note 1 above has been accounted for using merger accounting by regarding the Company had been the holding company of the Group from the beginning of the earliest period presented. The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Apart from the Reorganisation referred to in note 1 above, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sales and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/ negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation (Continued)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also the goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life but not exceeding 20 years. Goodwill on acquisitions, which occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantages of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

Where an indication of impairments exists, the carrying amount of any goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(e) Fixed assets

Leasehold land and buildings and plant and machinery are stated at valuation less accumulated amortisation or depreciation. The valuations of leasehold land and buildings are on an open market basis related to individual properties and separate values are not attributed to land and buildings. Independent valuations are performed every three years. In the intervening years, the directors review the carrying value of these fixed assets and adjustment is made where there has been a material change. Increases in valuation are credited to the revaluation reserve. Decrease in valuation are first offset against increases on earlier valuations in respect of the same asset and thereafter debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost/valuation over their estimated useful lives on a straight-line basis.

The principal annual rates are as follows:

Buildings	2.5%
Plant and machinery	7-15%
Furniture, fixtures and equipment	10-18%
Leasehold improvements	15-18%
Motor vehicles	15-20%

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Fixed assets *(Continued)*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(f) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Trade receivables

Provision is made against trade receivables to the extent which they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise bank balances and cash, trust receipt loans and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(l) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Retirement benefits

On 1st December 2000, a mandatory provident fund scheme has been set up for all eligible employees of the Group. The mandatory provident fund scheme is a defined contribution retirement scheme and the contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The mandatory provident fund scheme cost charged to the profit and loss account represents contributions payable by the Group to the scheme.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

(p) Dividends

In accordance with the revised SSAP 9, the Group does not recognise dividends proposed or declared after the balance sheet date as a liability at the balance sheet date.

3 TURNOVER, REVENUES AND SEGMENT INFORMATION

The principal activities of the Group are the manufacturing and trading of packaging products, paper gifts items and promotional products. Revenues recognised during the year are as follows:

	2002	2001
	HK$'000	*HK$'000*
Turnover		
Sales of goods at invoiced value to customers, net of discounts	**162,904**	143,329
Other revenues		
Interest income	**464**	729
Exchange gain	**49**	80
Profit on disposal of fixed assets	**–**	645
Rental income from plant and machinery	**540**	480
Other income	**355**	238
	1,408	2,172
Total revenues	**164,312**	145,501

3 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments

	Year ended 31st March 2002			
	Packaging products *HK$'000*	Paper gifts items *HK$'000*	Promotional products *HK$'000*	Group *HK$'000*
Revenues	89,462	37,292	36,150	162,904
Segment results	23,442	13,556	14,285	51,283
Unallocated income				1,408
Unallocated costs				(19,104)
Operating profit				33,587
Finance costs				(2,613)
Share of profit of an associated company				53
Profit before taxation				31,027
Taxation				(1,937)
Profit after taxation				29,090
Minority interests				252
Profit attributable to shareholders				29,342
Segment assets	60,639	22,097	37,837	120,573
Unallocated assets				58,905
Total assets				179,478
Segment liabilities	21,129	8,790	11,916	41,835
Unallocated liabilities				18,878
Total liabilities				60,713
Capital expenditure	3,496	4,483	3,099	11,078
Depreciation	3,865	1,637	1,611	7,113

3 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Year ended 31st March 2001			
	Packaging products *HK$'000*	Paper gifts items *HK$'000*	Promotional products *HK$'000*	Group *HK$'000*
Revenues	100,330	32,966	10,033	143,329
Segment results	27,127	11,899	4,073	43,099
Unallocated income				2,172
Unallocated costs				(12,024)
Operating profit				33,247
Finance costs				(3,731)
Share of loss of an associated company				(7)
Profit before taxation				29,509
Taxation				(2,569)
Profit after taxation				26,940
Minority interests				–
Profit attributable to shareholders				26,940
Segment assets	73,062	24,072	7,326	104,460
Unallocated assets				19,236
Total assets				123,696
Segment liabilities	33,836	11,118	3,384	48,338
Unallocated liabilities				18,437
Total liabilities				66,775
Capital expenditure	10,974	3,265	10,827	25,066
Depreciation	3,408	1,120	340	4,868

There are no sales or other transactions between the business segments.

3 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

Secondary reporting – geographical segments

	Year ended 31st March 2002			
	Turnover	**Segment results**	**Total assets**	**Capital expenditure**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Hong Kong	**122,684**	**42,725**	**93,827**	**833**
Mainland China	**27,102**	**6,856**	**85,651**	**10,245**
Other countries	**13,118**	**1,702**	**–**	**–**
	162,904	**51,283**	**179,478**	**11,078**
Unallocated income		**1,408**		
Unallocated costs		**(19,104)**		
Operating profit		**33,587**		

	Year ended 31st March 2001			
	Turnover	Segment results	Total assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	133,384	40,580	49,362	44
Mainland China	4,414	1,580	74,334	25,022
Other countries	5,531	939	–	–
	143,329	43,099	123,696	25,066
Unallocatd income		2,172		
Unallocated costs		(12,024)		
Operating profit		33,247		

There are no sales between the geographical segments.

4 OPERATING PROFIT

The operating profit is stated after charging the following:

	2002	2001
	HK$'000	*HK$'000*
Auditors' remuneration	**728**	240
Provision for bad debts/bad debts written off	**300**	317
Depreciation of fixed assets		
– owned assets	**3,957**	1,787
– assets held under finance leases	**3,156**	3,081
Operating lease rental in respect of land and buildings	**907**	672
Retirement benefit costs *(note 2(m))*	**236**	51
Staff costs, including directors' emoluments	**10,154**	7,635

5 FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**1,579**	2,321
Interest element of finance leases	**1,034**	1,410
	2,613	3,731

6 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits of the respective companies now comprising the Group for the year.

A subsidiary of the Company established in the PRC is subject to PRC Enterprise Income Tax ("EIT") on the taxable income as reported in its PRC statutory financial statements adjusted in accordance with relevant income tax laws. The applicable EIT rate is 33%. However, the subsidiary has tax privileges granted by the PRC Government that it is entitled to full exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years. No EIT is payable by the subsidiary as it is still in its tax exemption period.

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	2002	2001
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	**(2,560)**	(2,440)
Over/(under) provision in prior years	**623**	(301)
Deferred taxation	**–**	172
	(1,937)	(2,569)

(b) Movements in deferred taxation account are as follows:

	2002	2001
	HK$'000	*HK$'000*
Brought forward	**3,164**	3,336
Transfer to profit and loss account	**–**	(172)
Carried forward	**3,164**	3,164

Deferred taxation is provided for in respect of the tax effect of timing differences arising from accelerated depreciation allowances.

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$19,966,000 (2001: loss of HK$62,000).

8 DIVIDENDS

	2002	2001
	HK$'000	*HK$'000*
Final, proposed of HK$0.1 per ordinary share *(note (a))*	**18,000**	–
Interim dividends paid by a subsidiary to its then shareholders prior to the Reorganisation *(note (b))*	**–**	25,000
	18,000	25,000

(a) The directors recommended, subject to the approval of the shareholders at the forthcoming Annual General Meeting, a final dividend of HK$0.1 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2003.

(b) The dividends rates and the number of shares ranking for the dividends mentioned above are not presented as such information is not considered meaningful for the purpose of these accounts.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of 29,342,000 (2001: HK$26,940,000) and the weighted average of 155,342,466 shares (2001: 140,000,000 shares) deemed to be issued during the year. In determining the weighted average number of shares deemed to be issued, the 2,666,668 shares issued as consideration of the acquisition by the Company of the issued capital of New Master and the capitalisation issue of 137,333,332 shares as referred to in note 19 were deemed to have been in issue on 1st April 2000.

Diluted earnings per share was not disclosed as there were no dilutive potential ordinary shares.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments payable to the directors of the Company are as follows:

	2002	2001
	HK$'000	*HK$'000*
Fees	**–**	–
Other emoluments	**2,944**	1,480
Retirement benefit costs	**48**	9
	2,992	1,489

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

The leasehold land and buildings of the Group were occupied by a director as rent free quarters during the year. The rateable value of the leasehold land and buildings as at 31st March 2002 was approximately HK$153,000 (2001: HK$154,000).

No directors waived any emoluments and no incentive payment or compensation for loss of office was paid or payable to any director during the year.

The emolument of the directors fell within the following bands:

	Numbers of directors	
Emolument bands	**2002**	2001
Nil – HK$1,000,000	**6**	3
HK$1,000,000 – HK$1,500,000	**1**	–

During the year ended 31st March 2001, only three directors of the Company acted in the capacity as a director and received emoluments from the subsidiaries.

(b) The five individuals whose emoluments were the highest in the Group for the year include four (2001: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2001: three) individual during the year are as follows:

	2002	2001
	HK$'000	*HK$'000*
Basic salaries and allowances	**490**	1,464
Retirement benefit costs	**12**	9
	502	1,473

The emoluments of employees fell within the emolument band of Nil to HK$1,000,000 for the year.

11 GOODWILL

	2002	2001
	HK$'000	*HK$'000*
Cost		
Acquisition of a subsidiary during the year and carried forward	**173**	–
Accumulated amortisation		
Amortisation charge for the year and carried forward	**(9)**	–
Net book amount at 31st March	**164**	–

12 FIXED ASSETS

	Group Leasehold land and buildings *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Leasehold improve-ments *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1st April 2001	3,703	70,649	5,762	6,422	2,122	88,658
Purchase of a subsidiary	–	–	89	–	–	89
Additions	–	3,372	962	6,565	179	11,078
Revaluation	253	1,950	–	–	–	2,203
Disposals	–	–	–	(206)	–	(206)
At 31st March 2002	**3,956**	**75,971**	**6,813**	**12,781**	**2,301**	**101,822**
Accumulated depreciation						
At 1st April 2001	621	14,962	2,506	484	1,206	19,779
Purchase of a subsidiary	–	–	9	–	–	9
Charge for the year	90	4,864	632	1,209	318	7,113
Disposals	–	–	–	(83)	–	(83)
At 31st March 2002	711	19,826	3,147	1,610	1,524	26,818
Net book value						
At 31st March 2002	**3,245**	**56,145**	**3,666**	**11,171**	**777**	**75,004**
At 31st March 2001	3,082	55,687	3,256	5,938	916	68,879

The analysis of the cost or valuation of the above assets at 31st March 2002 is as follows:

	Leasehold land and buildings *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Leasehold improve-ments *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At cost	–	–	6,813	12,781	2,301	21,895
At 2002 professional valuation *(note (a))*	3,956	75,971	–	–	–	79,927
	3,956	75,971	6,813	12,781	2,301	101,822

12 FIXED ASSETS *(Continued)*

The analysis of the cost or valuation of the above assets at 31st March 2001 is as follows:

	Leasehold land and buildings	Plant and machinery	Furniture, fixtures and equipment	Leasehold improve-ments	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	3,703	70,649	5,762	6,422	2,122	88,658
At valuation	–	–	–	–	–	–
	3,703	70,649	5,762	6,422	2,122	88,658

(a) The leasehold land and buildings and plant and machinery were revalued by Knight Frank and Sallmanns (Far East) Limited, independent firms of professional valuers at 31st August 2001 on the basis of open market value. The revaluations of the Group's leasehold land and buildings and plant and machinery do not constitute timing difference for tax purposes.

As at 31st March 2002, the directors of the Group have reviewed the carrying value of leasehold land and buildings and plant and machinery and are of the opinion that the valuation is not materially different from the above carrying amount.

(b) The carrying amount of leasehold land and buildings and plant and machinery held by the Group would have been HK$3,047,088 and HK$54,437,203 respectively had they been stated at cost less accumulated depreciation.

(c) The Group's leasehold land and buildings are all situated in Hong Kong and are held on leases of between 10 to 50 years.

(d) At 31st March 2002, the net book value of leasehold land and buildings pledged as security for the Group's facilities amounted to HK$2,031,000 (2001: HK$2,117,000).

(e) At 31st March 2002, the aggregate cost and accumulated depreciation of the Group's fixed assets, comprising plant and machinery and motor vehicles, held under finance leases are as follows:

	2002	2001
	HK$'000	*HK$'000*
Cost or valuation	**21,686**	61,889
Accumulated depreciation	**(2,184)**	(11,389)
Net book value	**19,502**	50,500

13 INVESTMENTS IN SUBSIDIARIES

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted shares, at cost	**71,870**	–
Amounts due from subsidiaries	**30,251**	–
	102,121	–

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following is a list of principal subsidiaries as at 31st March 2002:

Name	Country/place of incorporation or establishment	Issued and fully paid up share capital/registered capital	Attributable equity interest	Principal activities and place of operation
Direct subsidiary:				
New Master Group Limited ("New Master")	British Virgin Islands	200 Ordinary shares of US$1.00 each	100%	Investment holding in Hong Kong
Indirect subsidiaries:				
New Spring Group Company Limited	Hong Kong	2 Ordinary shares of HK$1.00 each and 10,000 Non-voting deferred shares of HK$1.00 each	100%	Manufacturing and trading of gift and toy boxes and other paper products in Hong Kong and the PRC
Sun Hip Fung (JF) Printing Products Company Limited	Hong Kong	2 Ordinary shares of HK$1.00 each and 200,000 Non-voting deferred shares of HK$1.00 each	100%	Trading of paper products in Hong Kong
Today Graphic Company Limited	Hong Kong	2 Ordinary shares of HK$1.00 each and 200,000 Non-voting deferred shares of HK$1.00 each	100%	Trading of packaging products in Hong Kong

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Country/place of incorporation or establishment	Issued and fully paid up share capital/registered capital	Attributable equity interest	Principal activities and place of operation
Indirect subsidiaries: (Continued)				
Today Advertising Products Company Limited	Hong Kong	2 Ordinary shares of HK$1.00 each and 200,000 Non-voting deferred shares of HK$1.00 each	100%	Trading of paper promotional materials in Hong Kong
力新時紙製品（深圳）有限公司*	PRC	Registered capital of HK$2,000,000	100%	Manufacturing and sale of paper products in the PRC
Anson Printing Group Limited ("Anson") *(note(a))*	Hong Kong	10,000 Ordinary shares of HK$1.00 each	51%	Provision of printing and colour separation services in Hong Kong
Visual Products Limited (Newly incorporated on 28th December 2001)	Hong Kong	10,000 Ordinary shares of HK$1.00 each	60%	Manufacturing and trading of lenticular plastic products in Hong Kong

* *Wholly foreign owned enterprise*

Note(a) Anson was originally an associated company of the Group. As at 31st March 2001, the Group's share of post-acquisition losses of Anson exceed its investment cost less goodwill by approximately HK$30,000 and accordingly, the investment in such associated company was reported at zero value. In December 2001, the Group acquired an additional 21% equity interest in Anson and since then Anson has become a subsidiary of the Group.

14 INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**6,445**	6,021
Work-in-progress	**1,221**	602
Finished goods	**7,761**	2,452
	15,427	9,075

At 31st March 2002 and 2001, all the inventories were carried at cost.

15 TRADE RECEIVABLES

At 31st March 2002, the ageing analysis of the trade receivables were as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current to 30 days	**15,440**	7,254
31 days to 60 days	**7,012**	3,025
61 days to 90 days	**8,252**	6,157
91 days to 180 days	**9,831**	7,160
181 days to 360 days	**4,082**	2,840
Over 360 days	**–**	271
	44,617	26,707
Less: Provision for bad debts	**(300)**	–
	44,317	26,707

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

16 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Deposits and payments made in relation to purchase of shares in companies *(note(a))*	**14,530**	–
Other receivables, prepayments and other deposits *(note(b))*	**13,970**	6,970
	28,500	6,970

Notes:

(a) The amount represents deposits and payments made during the year in relation to the proposed acquisition of the following companies:

(i) Pursuant to a sale and purchase agreement dated 28th December 2001 (the "Agreement") between the Group and two independent third parties (the "Vendors"), the Group will acquire, subject to certain terms and conditions, the entire equity interest in New Pearl Hot Stamping Limited ("New Pearl") for a consideration of HK$10,500,000. New Pearl is a Hong Kong incorporated company and is principally engaged in the provision of hot stamping services in Hong Kong. As at 31st March 2002, deposits of HK$9,450,000 have been paid to the Vendors pursuant to the terms of the Agreement. The directors expect that such acquisition transaction will be completed in August 2002.

(ii) The Group also entered into an agreement with an independent third party on 28th March 2002 whereby the Group will acquire, subject to certain terms and conditions, 94% of the equity interest in Pronto Print Limited ("Pronto") for a consideration of HK$4,300,000. Pronto is a Hong Kong incorporated company and is principally engaged in the provision of printing services in Hong Kong. As at 31st March 2002, payments totalling HK$5,080,000, comprising a deposit of HK$2,580,000 and an advance of HK$2,500,000 in settlement of the amounts due from Pronto to the third party, have been paid to the third party in accordance with the terms of the agreement. Such acquisition will be completed before the end of September 2002.

(b) Included in other receivables, prepayments and other deposits was an amount of HK$4 million (2001: Nil) which was advanced to an independent supplier of the Group during the year. The amount was unsecured, bearing interest at a rate of Hong Kong dollar prime rate plus 4.875% per annum and repayable on demand. The amount was fully repaid subsequent to the year end date.

17 DUE FROM DIRECTORS AND RELATED COMPANIES

Particulars of amounts due from directors and related companies are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Name of directors		
Mr. NG Man Chan	**–**	3,796
Mr. CHAN Fuk Wah	**–**	600
	–	4,396

	2002	2001
	HK$'000	*HK$'000*
Name of related companies		
Beautiking Investments Limited ((a) & (c))	**612**	6,537
Fortune Gold Developments Limited (c)	**–**	100
Jade Fore Investment Limited (c)	**–**	115
Kimax Investment Limited (c)	**–**	19
King Art Limited (b)	**–**	2
Glory Motion Company Limited ((b) & (c))	**185**	–
	797	6,773

Maximum balances due from directors and related companies during the years were as follows:

	2002	2001
	HK$'000	*HK$'000*
Name of directors		
Mr. NG Man Chan	**3,796**	16,443
Mr. CHAN Fuk Wah	**600**	600

17 DUE FROM DIRECTORS AND RELATED COMPANIES *(Continued)*

	2002	2001
	HK$'000	*HK$'000*
Name of related companies		
Beautiking Investments Limited	**6,537**	6,559
Fortune Gold Developments Limited	**100**	100
Jade Fore Investment Limited	**115**	115
Kimax Investment Limited	**19**	19
King Art Limited	**5**	2
Glory Motion Company Limited	**208**	–

(a) As at 31st March 2002, all the amounts due from related companies are of non-trade nature and are unsecured, interest-free and repayable on demand except for the amount due from Beautiking Investments Limited which is interest bearing at 12% per annum. At the respective balance sheet dates, no provision had been made for non-repayment of the amounts due. The amounts had been settled subsequent to 31st March 2002.

(b) A director of the Company, Ms. LI Mi Lai, has beneficial interest in the related company.

(c) A director of the Company, Mr. NG Man Chan, has beneficial interests in the related companies.

18 TRADE PAYABLES

At 31st March 2002, the ageing analysis of the trade payables were as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current to 30 days	**4,271**	2,722
31 days to 60 days	**3,480**	2,768
61 days to 90 days	**4,306**	2,639
Over 90 days	**5,983**	5,020
	18,040	13,149

19 SHARE CAPITAL

	Authorised ordinary shares of HK$0.1 each	
	Number of shares	*HK$'000*
At 20th February 2001 (date of incorporation)		
and 31st March 2001	1,000,000	100
increase in authorised capital	1,999,000,000	199,900
At 31st March 2002	2,000,000,000	200,000

	Issued and fully paid ordinary shares of HK$0.1 each	
	Number of shares	*HK$'000*
At 20th February 2001 (date of incorporation)		
and 31st March 2001 *(note (a))*	1,000,000	–
Issue of shares for acquisition of		
New Master *(note (a) and (b) (ii))*	1,666,668	267
New issue of shares to the public *(note (c))*	40,000,000	4,000
Capitalisation issue *(note (c))*	137,333,332	13,733
At 31st March 2002	180,000,000	18,000

(a) The Company was incorporated in the Cayman Islands on 20th February 2001 with an authorised capital of HK$100,000 dividend into 1,000,000 shares of HK$0.1 each, all of which where allotted and issued as nil-paid on 20th February 2001. The authorised share capital was increased to HK$133,333 on 15th August 2001 by the creation of an additional 333,334 shares of HK$0.1 each, all of which were then allotted and issued as nil-paid.

(b) In preparation for the listing of the Company's shares of the Main Board of the Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 22nd October 2001:

(i) The authorised share capital of the Company was increased to HK$200,000,000 by the creation of an additional 1,998,666,666 shares of HK$0.1 each.

(ii) In consideration for the acquisition by the Company of the entire issued capital of New Master, the holding company of the Group prior to the Reorganisation, an aggregate of 1,333,334 shares of HK$0.1 each, credited as fully paid, were allotted and issued to the then shareholders of New Master, and credited as fully paid up at par the aggregate of 1,333,334 shares allotted and issued as nil-paid (note (a)).

(c) On 12th November 2001, 40,000,000 shares of HK$0.1 each were issued to the public at HK$1.0 each for cash totalling HK$40,000,000 (the "New Issue"). Immediately after the New Issue, 137,333,332 shares of HK$0.1 each were issued, allotted at par and fully paid to the shareholders of the Company prior to the New Issue (the "Capitalisation Issue") by way of the capitalisation of a sum of HK$13,733,333 out of the credit of the share premium account of the Company created as a result of the New Issue.

(d) The comparative figure of the Group for the previous year represents the combined total of the issued share capital of the companies comprising the Group as at 31st March 2001 prior to the Reorganisation.

19 SHARE CAPITAL *(Continued)*

(e) Pursuant to the Company's share option scheme adopted on 22nd October 2001, the Board of Director of the Company may at their discretion grant options to directors and employees of the Company or any of its subsidiaries to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

No share options were granted during the year or outstanding as at 31st March 2002.

20 RESERVES

	Group						
	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory surplus reserve *HK$'000*	Revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1st April 2000	–	(290)	–	–	–	55,143	54,853
Exchange differences arising on translation of the accounts of an overseas subsidiary	–	–	–	–	8	–	8
Profit attributable to shareholders	–	–	–	–	–	26,940	26,940
Goodwill eliminated against reserves	–	–	–	–	–	(293)	(293)
2001 interim dividends paid *(note 8)*	–	–	–	–	–	(25,000)	(25,000)
At 31st March 2001	–	(290)	–	–	8	56,790	56,508
Attributable to:							
The Company and its subsidiaries	–	(290)	–	–	8	56,797	56,515
An associated company	–	–	–	–	–	(7)	(7)
At 31st March 2001	–	(290)	–	–	8	56,790	56,508
At 1st April 2001	–	(290)	–	–	8	56,790	56,508
Premium on new issue of shares to public	36,000	–	–	–	–	–	36,000
Share issue expenses	(9,600)	–	–	–	–	–	(9,600)
Capitalisation Issue	(13,733)	–	–	–	–	–	(13,733)
Surplus on Reorganisation *(note (a))*	–	47	–	–	–	–	47
Transfer to statutory surplus reserve according to PRC regulation *(note (b))*	–	–	294	–	–	(294)	–
Surplus on revaluation of leasehold land and buildings and plant and machinery	–	–	–	2,203	–	–	2,203
Exchange differences arising on translation of the accounts of an overseas subsidiary	–	–	–	–	(2)	–	(2)
Profit attributable to shareholders	–	–	–	–	–	29,342	29,342
At 31st March 2002 attributable to the Company and its subsidiaries	12,667	(243)	294	2,203	6	85,838	100,765
Representing:							
2002 Final dividend proposed *(note 8)*						18,000	
Other						67,838	
Retained earnings at 31st March 2002						85,838	

20 RESERVES *(Continued)*

	Share premium HK$'000	Company (Accumulated losses)/retained earnings HK$'000	Total HK$'000
At 1st April 2000	–	–	–
Loss attributable to shareholders	–	(62)	(62)
At 31st March 2001	–	(62)	(62)
At 1st April 2001	–	(62)	(62)
Premium on new issue of shares	36,000	–	36,000
Share issue expenses	(9,600)	–	(9,600)
Capitalisation Issue	(13,733)	–	(13,733)
Amount arising from Reorganisation *(note(c))*	71,603	–	71,603
Profit attributable to shareholders	–	19,966	19,966
At 31st March 2002	84,270	19,904	104,174
Representing:			
2002 Final dividend proposed			18,000
Other			86,174
Reserves at 31st March 2002			104,174

Notes:

(a) Surplus on Reorganisation represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the shares issued by the Company in exchange thereof.

(b) In accordance with the relevant PRC laws and financial regulations, the subsidiary established in the PRC is required to appropriate 10% of the annual statutory net profit after taxation prepared in accordance with PRC accounting standards to the statutory surplus reserve until the balance reaches 50% of the subsidiary's paid up capital. The reserve can be used to reduce any losses incurred or to increase capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of capital.

(c) The amount arising from Reorganisation of HK$71,603,000 represents the difference between the par value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the net asset value of the subsidiaries acquired at the time of the Reorganisation. Under the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders, subject to the provisions of the Articles of Association of the Company and no distribution may be paid to the shareholders out of the share premium unless the Company shall be able to pay its debts as they fall due in ordinary course of business.

21 LONG-TERM LIABILITIES

	Group 2002 HK$'000	2001 HK$'000
Secured long-term bank loans are repayable as follows:		
Within one year	**6,345**	5,053
In the second year	**47**	297
In the third to fifth years, inclusive	**–**	48
	6,392	5,398
Obligations under finance leases are repayable as follows:		
Within one year	**4,151**	8,773
In the second year	**3,267**	3,571
In the third to fifth years, inclusive	**6,133**	9,481
	13,551	21,825
	19,943	27,223
Current portion of long-term liabilities	**(10,496)**	(13,826)
	9,447	13,397

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2002 HK$'000	2001 HK$'000
Operating profit	**33,587**	33,247
Interest income	**(464)**	(729)
Amortisation charges	**9**	–
Depreciation charges	**7,113**	4,868
Profit on disposal of fixed assets	**–**	(645)
(Increase)/decrease in inventories	**(6,352)**	1,905
(Increase)/decrease in trade receivables, other receivables, prepayments and other deposits	**(34,891)**	12,478
Decrease/(increase) in amounts due from related companies and an associated company	**6,506**	(1,482)
Decrease/(increase) in amounts due from directors	**4,396**	(622)
Increase/(decrease) in trade payables, accrued charges and other payables	**5,426**	(6,528)
(Decrease)/increase in amounts due to related companies	**(118)**	118
Net cash inflow from operating activities	**15,212**	42,610

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital including share premium		Minority interests		Loans and obligations under finance leases	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1st April	**413**	413	**–**	–	**27,223**	12,417
Effect of Reorganisation on share capital	**(413)**	–	**–**	–	**–**	–
Minority interests in share of losses in subsidiaries	**–**	–	**(252)**	–	**–**	–
Shares issued for non-cash consideration	**267**	–	**–**	–	**–**	–
New issue of shares to the public	**4,000**	–	**–**	–	**–**	–
Premium on new issue of shares to the public	**36,000**	–	**–**	–	**–**	–
Capitalisation Issue	**13,733**	–	**–**	–	**–**	–
Capitalisation of shares out of share premium account	**(13,733)**	–	**–**	–	**–**	–
Share issue expenses	**(9,600)**	–	**–**	–	**–**	–
Cash outflows from financing	**–**	–	**–**	–	**(8,223)**	(2,066)
Capital contributions from minority shareholders	**–**	–	**12**	–	**–**	–
Purchase of a subsidiary	**–**	–	**87**	–	**–**	–
Inception of finance leases	**–**	–	**–**	–	**943**	16,872
At 31st March	**30,667**	413	**(153)**	–	**19,943**	27,223

(c) Major non-cash transactions

During the year, the Group had the following major non-cash transactions:

	2002	2001
	HK$'000	*HK$'000*
Finance lease arrangements in respect of assets with total capital values at the inception of leases	**943**	16,872

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Purchase of a subsidiary

	2002	2001
	HK$'000	*HK$'000*
Net assets acquired		
Fixed assets	80	–
Trade and other receivables	4,249	–
Bank balances and cash	402	–
Trade and other payables	(4,554)	–
Minority shareholder's interest	(87)	–
	90	–
	173	–
	263	–
Satisfied by		
Cash consideration	210	–
Interest in an associated company at the date it became a subsidiary	53	–
	263	–

The subsidiary acquired during the year contributed HK$487,000 (2001: Nil) to the Group's net operating cash flows.

Analysis of the net cash inflow in respect of the purchase of a subsidiary:

	2002	2001
	HK$'000	*HK$'000*
Cash consideration	(210)	–
Cash and cash equivalents acquired	402	–
Net inflow of cash and cash equivalents in respect of purchase of a subsidiary	192	–

23 BANKING FACILITIES

As at 31st March 2002, the Group's banking facilities were secured by the following:

(i) certain leasehold land and buildings of the Group (note 12(d));

(ii) corporate guarantee given by the Company.

24 CONTINGENT LIABILITIES

As at 31st March 2002, the Group has no material contingent liabilities (2001: HK$388,000).

25 COMMITMENTS

(i) Capital commitments

At 31st March 2002, the Group has commitments contracted but not provided for in respect of plant and machinery of HK$18,862,000. (2001: HK$932,000).

(ii) Commitments under operating leases

At 31st March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2002	As restated 2001
	HK$'000	*HK$'000*
Not later than one year	**686**	642
Later than one year and not later than five years	**69**	410
	755	1,052

(iii) Financial commitments contracted but not provided for

At 31st March 2002, the Group had financial commitments in respect of foreign exchange contracts between Hong Kong dollars and Euro dollars for EUR2,295,000 for the purpose of hedging against its purchase of machinery (2001: Nil). Upon maturity of this contract on 4th April 2002, the Group will buy EUR2,295,000 upon payment of HK$15,625,000.

(iv) Other commitments contracted but not provided for

At 31st March 2002, the Group had commitments of HK$2,770,000 (2001: Nil) in relation to proposed acquisitions of equity interests in New Pearl Hot Stamping Limited and Pronto Print Limited. Details of the proposed acquisition transactions are summarised in note 16(a) to the accounts.

26 RELATED PARTY TRANSACTIONS

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

	2002	2001
	HK$'000	*HK$'000*
Sales to an associated company		
Anson Printing Group Limited ("Anson") (i)	**6,321**	121
Interest income		
Beautiking Investments Limited (ii)	**318**	728
Rental paid		
Beaumax Company Limited (iii)	**228**	228
Beautiking Investments Limited (iv)	**264**	264
Glory Motion Company Limited (iv)	**252**	180

(i) Sales to an associated company was conducted in the normal course of business at prices and terms not less than those charged to and contracted with other third party customers of the Group. In December 2001, the Group acquired an additional 21% equity interest of Anson. Since then Anson has become a subsidiary of the Group and accordingly sales to Anson as shown above represented sales prior to such acquisition.

(ii) Interest on amount due from Beautiking Investments Limited is charged at 12% per annum.

(iii) One of the subsidiaries, Sun Hip Fung (JF) Printing Products Company Limited, has entered into a lease agreement with a related company, Beaumax Company Limited, to lease office space for a period of 2 years commencing 1st February 2001 at a monthly rental of HK$19,000. The lease was entered into on normal commercial terms.

(iv) One of the subsidiaries, New Spring Group Company Limited, has entered into lease agreements with Beautiking Investments Limited and Glory Motion Company Limited to lease office space for a period of 2 years commencing 1st February 2001 and 1st July 2001 at a monthly rental of HK$22,000 (2001: HK$22,000) and HK$23,000 (2001: HK$15,000) respectively. The leases were entered into on normal commercial terms.

27 ULTIMATE HOLDING COMPANY

The directors regard Fortune Gold Developments Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

28 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 30th July 2002.