

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 38.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have resulted in a change in the format of presentation of the cash flow statement and an inclusion of a statement of changes in equity. Comparative amounts and disclosures for the prior period have been restated in order to achieve a consistent presentation.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are now classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing cash flows. Cash flows arising from taxation are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

Employee benefits

SSAP 34 "Employee Benefits", introduces measurement rules for employee benefits, including retirement plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined benefit retirement plan. In prior years, the cost of providing retirement benefits under this plan was determined using a projected benefit valuation method, with actuarial valuations carried out every three years. Actuarial gains and losses and past service cost were spread systematically over the expected remaining working lives of existing employees, irrespective of the date of vesting.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

2. **ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE** *(cont'd)*

Employee benefits *(cont'd)*

Under SSAP 34, the cost of providing retirement benefits under the Group's defined benefit retirement plan is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The effect of this change in accounting policy has resulted in a decrease of the profit for the year of approximately HK\$283,000 (2001: Nil), the details of which are set out in note 29.

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

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

Basis of consolidation

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

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

Goodwill

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

Goodwill arising on acquisitions of subsidiaries prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

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

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

Negative goodwill

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

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

Investment properties

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

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

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

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

Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

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

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

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

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

Properties under development

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

Assets held under finance leases

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

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

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

Investments in subsidiaries

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

Investments in securities

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

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

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

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

Inventories

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

Impairment

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

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

Revenue recognition

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

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

Sales of investments in securities are recognised when the related Bought and Sold notes are executed.

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

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

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

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

Foreign currencies

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

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

Borrowing costs

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial losses and unrecognised transitional liability on initial adoption of SSAP 34, and as reduced by the fair value of plan assets.

4. SEGMENT INFORMATION

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

Geographical segments

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

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

2002

	Hong Kong HK\$'000	Europe HK\$'000	North America HK\$'000	Australia and New Zealand HK\$'000	PRC HK\$'000	Others HK\$'000	Con- solidated HK\$'000
TURNOVER							
Sales of goods	180,636	151,023	131,592	88,776	16,872	476	569,375
Property rental income	-	-	-	-	4,715	-	4,715
	<u>180,636</u>	<u>151,023</u>	<u>131,592</u>	<u>88,776</u>	<u>21,587</u>	<u>476</u>	<u>574,090</u>
SEGMENT RESULT	<u>1,149</u>	<u>19,746</u>	<u>15,284</u>	<u>17,503</u>	<u>5,600</u>	<u>180</u>	59,462
Unallocated corporate income							2,504
Unallocated corporate expenses							<u>(5,111)</u>
Profit from operations							56,855
Finance costs							<u>(4,104)</u>
Profit before taxation							52,751
Taxation							<u>(1,937)</u>
Profit before minority interest							<u>50,814</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

4. SEGMENT INFORMATION (cont'd)

2002

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

	Hong Kong HK\$'000	Europe HK\$'000	North America HK\$'000	Australia and New Zealand HK\$'000	PRC HK\$'000	Others HK\$'000	Con- solidated HK\$'000
ASSETS							
Segment assets	135,556	90,179	101,364	49,983	442,318	34	819,434
Unallocated corporate assets							186,421
Consolidated total assets							<u>1,005,855</u>

LIABILITIES

Segment liabilities	65,659	46,053	38,754	24,252	91,146	112	265,976
Unallocated corporate liabilities							96,643
Consolidated total liabilities							<u>362,619</u>

	Hong Kong HK\$'000	Europe HK\$'000	North America HK\$'000	Australia and New Zealand HK\$'000	PRC HK\$'000	Others HK\$'000	Corporate HK\$'000	Con- solidated HK\$'000
OTHER INFORMATION								
Capital expenditure	1,309	3,513	3,881	2,280	77,729	1	331	89,044
Depreciation and amortisation	13,558	7,308	6,399	3,751	1,272	2	1,239	<u>33,529</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

4. SEGMENT INFORMATION *(cont'd)*

2001

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

4. SEGMENT INFORMATION (cont'd)

2001

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

	Hong Kong HK\$'000	Europe HK\$'000	North America HK\$'000	Australia and New Zealand HK\$'000	PRC HK\$'000	Others HK\$'000	Con- solidated HK\$'000	
ASSETS								
Segment assets	128,142	88,776	76,209	53,576	365,414	33	712,150	
Unallocated corporate assets							141,558	
Consolidated total assets							<u>853,708</u>	
LIABILITIES								
Segment liabilities	45,778	28,486	20,053	17,223	51,893	55	163,488	
Unallocated corporate liabilities							86,127	
Consolidated total liabilities							<u>249,615</u>	
OTHER INFORMATION								
Capital expenditure	22,591	11,297	608	694	308,826	1	1,032	345,049
Depreciation and amortisation	14,666	7,985	5,231	4,570	641	1	1,369	34,463
Impairment loss recognised	-	-	-	-	-	-	1,263	<u>1,263</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

4. SEGMENT INFORMATION *(cont'd)*

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

	Carrying amount of segment assets		Capital expenditure	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Hong Kong	382,808	285,424	528	2,779
The PRC	623,047	568,284	88,516	342,270
	<u>1,005,855</u>	<u>853,708</u>	<u>89,044</u>	<u>345,049</u>

Business segments

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

	Turnover		Contribution to profit (loss) from operations	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Printing	569,375	513,407	53,693	38,171
Property investment and development	4,715	130	5,769	(9)
	<u>574,090</u>	<u>513,537</u>	<u>59,462</u>	<u>38,162</u>
Unallocated corporate income			2,504	4,766
Unallocated corporate expenses			(5,111)	(5,761)
Profit from operations			<u>56,855</u>	<u>37,167</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

4. SEGMENT INFORMATION (cont'd)

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

	Carrying amount of segment assets		Capital expenditure	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Printing	613,924	489,264	11,472	38,199
Property investment and development	391,931	364,444	77,572	306,850
	1,005,855	853,708	89,044	345,049

5. OTHER OPERATING INCOME

Included in other operating income is investment income as follows:

	2002 HK\$'000	2001 HK\$'000
Dividend from investments in securities	1	10
Interest earned on bank deposits	2,038	4,647

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

6. PROFIT FROM OPERATIONS

	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (note 7)	6,077	4,966
Other staff costs	81,228	73,962
Pension scheme contribution	2,206	2,052
	<hr/>	<hr/>
Total staff costs	89,511	80,980
Auditors' remuneration:		
Current year	798	778
(Over) underprovision in prior year	(150)	119
Cost of inventories recognised as an expense	396,265	359,584
Depreciation and amortisation	33,529	34,463
Less: Amount capitalised in properties under development	(139)	–
	<hr/>	<hr/>
	33,390	34,463
Loss on disposal of investments in securities	2	6
Rental of premises under operating leases	4,217	4,349
and after crediting:		
Gain on disposal of property, plant and equipment	214	928
Release of negative goodwill	3,880	–
Rental income from investment properties, net of outgoings of HK\$2,612,000 (2001: HK\$66,000)	2,103	64
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees:		
Executive	110	110
Non-executive	20	20
Independent non-executive	160	149
	<hr/> 290 <hr/>	<hr/> 279 <hr/>
Other emoluments:		
Executive		
Salaries and other benefits	2,340	3,249
Bonus	3,411	1,400
Pension scheme contributions	36	38
	<hr/> 5,787 <hr/>	<hr/> 4,687 <hr/>
	<hr/> 6,077 <hr/>	<hr/> 4,966 <hr/>

Emoluments of the directors are within the following bands:

	Number of directors	
	2002	2001
HK\$1,000,000 or below	6	10
HK\$1,000,001 to HK\$1,500,000	–	3
HK\$1,500,001 to HK\$2,000,000	3	–
	<hr/> 9 <hr/>	<hr/> 13 <hr/>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

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

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2001: three directors), details of whose emoluments are set out in note 7(a) above.

The emoluments of the remaining two individuals (2001: two individuals) are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	1,594	1,726
Bonus	1,909	1,173
Pension scheme contributions	24	24
	3,527	2,923

Emoluments of the employees are within the following bands:

	Number of employees	
	2002	2001
HK\$1,000,000 or below	–	1
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–
	2	2

During the years ended 31st December, 2002 and 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31st December, 2002 and 2001, no director waived any emoluments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

8. FINANCE COSTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Finance charge on obligations under finance leases	175	595
Interest on borrowings wholly repayable within five years:		
Bank borrowings	3,901	7,914
Amount due to a minority shareholder	4,322	182
Others	–	30
	8,398	8,721
Less: Interest capitalised in properties under development	(4,294)	(182)
	4,104	8,539

9. TAXATION

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	3,900	1,433
(Over)underprovision in previous years	(165)	716
PRC income taxation	1,173	32
	4,908	2,181
Deferred taxation (note 26)	(2,971)	(1,600)
	1,937	581

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year.

PRC income tax is calculated at the applicable rates relevant to the PRC subsidiaries.

Details of the deferred taxation, provided and unprovided, for the year are set out in note 26.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

10. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
2001 final dividend of HK2 cents per share paid to ordinary shareholders	7,786	–
Dividends to preference shareholders (2002: HK1.5 cents per share; 2001: HK0.07 cent per share for the period from 14th December, 2001 to 31st December, 2001)	6,142	294
	13,928	294

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

The final dividend of HK2.8 cents (2001: HK2 cents) per share to ordinary shareholders on the register of members on 6th May, 2003, amounting to approximately HK\$10,928,000, has been proposed by the directors and is subject to approval by the shareholders in general meeting.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

11. EARNINGS PER SHARE

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net profit for the year	50,673	28,047
Dividend on preference shares	(6,142)	(294)
Earnings for the purposes of basic earnings per share	44,531	27,753
Effect of dilutive potential ordinary shares:		
– Dividend on convertible preference shares	1,128	59
Earnings for the purposes of diluted earnings per share	45,659	27,812
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	382,780,479	365,286,616
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	150,509,589	7,824,658
– Share options	6,292	123,134
Weighted average number of ordinary shares for the purposes of diluted earnings per share	533,296,360	373,234,408

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

12. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
Balance at 1st January, 2002	143,700
Transferred from properties under development during the year	239,000
	<hr/>
Balance at 31st December, 2002	382,700

The Group's investment properties are held under long leases in the PRC for rental income under operating leases. Legal title to certain investment properties amounting to approximately HK\$143,700,000 (2001: HK\$143,700,000) still rests in the name of the vendor even though the Group has the right to execute the transfer at anytime at their discretion. As substantially all the risks and rewards of ownership of the properties have been transferred to the Group upon execution of sales agreement, the Group has recognised the properties as its assets.

At 31st December, 2002, these investment properties were revalued by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, on an open market value basis. There was no surplus or deficit arising on the revaluation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1st January, 2002	56,059	1,083	297,360	29,492	4,789	388,783
Additions	1,155	–	7,503	2,231	751	11,640
Disposals	–	–	(3,300)	(26)	(634)	(3,960)
At 31st December, 2002	57,214	1,083	301,563	31,697	4,906	396,463
DEPRECIATION AND AMORTISATION						
At 1st January, 2002	3,596	1,083	140,416	20,706	3,142	168,943
Provided for the year	2,235	–	26,682	3,735	877	33,529
Eliminated on disposals	–	–	(2,748)	(12)	(522)	(3,282)
At 31st December, 2002	5,831	1,083	164,350	24,429	3,497	199,190
NET BOOK VALUES						
At 31st December, 2002	51,383	–	137,213	7,268	1,409	197,273
At 31st December, 2001	52,463	–	156,944	8,786	1,647	219,840

THE GROUP

2002 HK\$'000	2001 HK\$'000
------------------	------------------

The net book value of the properties comprises:

Leasehold land and buildings situated in:

- the PRC under medium-term land use right
- Hong Kong under long leases

50,782	51,812
601	651
51,383	52,463

The net book value of property, plant and equipment of the Group at 31st December, 2002 included an amount of approximately HK\$6,387,000 (2001: HK\$7,366,000) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

14. PROPERTIES UNDER DEVELOPMENT

	THE GROUP HK\$'000
COST	
At 1st January, 2002	161,596
Construction and development costs incurred	73,110
Interest capitalised	4,294
Transferred to investment properties	(239,000)
	-
At 31st December, 2002	-

15. CONTRACTUAL REIMBURSEMENT FROM RELATED COMPANIES

	2002 HK\$'000	2001 HK\$'000
Reimbursement of construction costs of properties under development (note a)	41,718	41,718
Less: Reimbursement entitled up to the balance sheet date	(16,966)	(2,242)
	24,752	39,476
Reimbursement of deferred taxation liabilities (note b)	11,147	11,147
	35,899	50,623

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

16. NEGATIVE GOODWILL

	THE GROUP HK\$'000
GROSS AMOUNT	
At 1st January, 2002	8,477
Adjustments to fair values of net assets acquired and estimated guaranteed rental income	1,705
	<hr/>
At 31st December, 2002	10,182
RELEASED TO INCOME	
Released in the period and balance at 31st December, 2002	3,880
	<hr/>
CARRYING AMOUNT	
At 31st December, 2002	6,302
	<hr/>
At 31st December, 2001	8,477
	<hr/>

During the year ended 31st December, 2002, the gross amount of negative goodwill arising from the completion of the Acquisition Agreement was increased by approximately HK\$1,705,000 as a result of adjustments to the carrying amount of the identifiable assets and liabilities of AsianWisdom acquired (net of minority interest of approximately HK\$2,255,000) and an estimate of the probable guaranteed rental income for certain of the Group's investment properties acquired in the above acquisition. These adjustments have not had any effects on the results of the Group for 2001.

In addition, approximately HK\$3,880,000 of the negative goodwill has been released to offset the administrative expenses in the consolidated income statement against the expected losses recognised in respect of an acquired subsidiary.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	92,963	92,963
Amounts due from subsidiaries	347,996	363,179
	<u>440,959</u>	<u>456,142</u>

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

Particulars of the Company's principal subsidiaries at 31st December, 2002 are set out in note 38.

18. INVESTMENTS IN SECURITIES

The amount at 31st December, 2001 represented non-trading equity securities listed in Hong Kong which were stated at market value and the entire balance was disposed of during the year.

19. INVENTORIES

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	30,728	22,780
Work in progress	10,251	7,904
Finished goods	3,555	2,334
	<u>44,534</u>	<u>33,018</u>

Included above are raw materials of approximately HK\$275,000 (2001: HK\$1,114,000) which are carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

20. TRADE RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 120 days (2001: 30 days to 120 days) to its trade customers. The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	43,072	34,211
31 to 60 days	34,502	20,910
61 to 90 days	33,100	19,863
91 to 120 days	28,270	18,085
More than 120 days	16,294	11,564
	<u>155,238</u>	<u>104,633</u>

21. TRADE PAYABLES

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	26,831	16,710
31 to 60 days	19,968	14,009
61 to 90 days	20,421	10,434
91 to 120 days	22,771	8,217
More than 120 days	25,502	12,001
	<u>115,493</u>	<u>61,371</u>

22. AMOUNT DUE TO A RELATED COMPANY

The amount was payable to a subsidiary of Chuang's China and was unsecured, interest-free and fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

23. BORROWINGS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Borrowings comprise:		
Bank loans	66,542	54,373
Import loans	16,833	21,736
	83,375	76,109
Analysed as:		
Secured	59,942	43,603
Unsecured	23,433	32,506
	83,375	76,109
Bank borrowings are repayable as follows:		
Within one year or on demand	46,025	58,259
More than one year but not exceeding two years	14,950	6,600
More than two years but not exceeding five years	22,400	11,250
Total	83,375	76,109
Less: Amount repayable within one year or on demand and shown under current liabilities	(46,025)	(58,259)
Amount due after one year	37,350	17,850

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

24. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured and repayable as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	32,546	–
More than one year but not exceeding two years	3,381	29,849
More than two years but not exceeding five years	15,339	7,769
	<hr/>	<hr/>
Total	51,266	37,618
Less: Amount repayable within one year and shown under current liabilities	(32,546)	–
	<hr/>	<hr/>
	18,720	37,618
	<hr/>	<hr/>
Analysed as:		
Interest bearing at approximately 0.6 percent (2001: ranging from 0.8 percent to 1 percent) per month	40,724	31,399
Interest-free	10,542	6,219
	<hr/>	<hr/>
	51,266	37,618
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

25. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The maturity of obligations under finance leases is as follows:				
Within one year	1,878	1,956	1,788	1,774
In the second to fifth year inclusive	1,565	3,551	1,540	3,417
	3,443	5,507		
Less: Future finance charges	(115)	(316)		
Present value of lease obligations	3,328	5,191	3,328	5,191
Less: Amount due for settlement within one year and shown under current liabilities			(1,788)	(1,774)
Amount due after one year			1,540	3,417

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

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

26. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Balance brought forward	21,593	7,889
Acquired on acquisition of subsidiaries	-	15,304
Credit for the year (note 9)	(2,971)	(1,600)
	<hr/>	<hr/>
Balance carried forward	18,622	21,593
	<hr/>	<hr/>

At 31st December, 2002, the major components of the deferred taxation (liabilities) assets, provided and unprovided, are as follows:

	THE GROUP			
	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
Excess of fair value over historical cost of investment properties and properties under development of certain subsidiaries at the date of acquisition by the Group	(15,304)	(15,304)	-	-
Excess of depreciation allowances claimed for tax purpose over depreciation charged in the financial statements	(3,300)	(6,200)	-	-
Tax losses unutilised	-	-	2,730	1,063
Other timing difference	(18)	(89)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(18,622)	(21,593)	2,730	1,063
	<hr/>	<hr/>	<hr/>	<hr/>

The unprovided deferred taxation credit for the year amounting to approximately HK\$1,667,000 (2001: HK\$90,000) represents tax effect of timing differences attributable to tax losses incurred for the year.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

27. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st January, 2001, 31st December, 2001 and 31st December, 2002	1,000,000,000	100,000
Preference shares of HK\$0.01 each		
Series A preference shares		
Increased during the year ended 31st December, 2001 and balance at 31st December, 2001 and 31st December, 2002	1,000,000,000	10,000
Series B preference shares		
Increased during the year ended 31st December, 2001 and balance at 31st December, 2001 and 31st December, 2002	1,000,000,000	10,000
	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st January, 2001	364,660,068	36,466
Issue of shares on exercise of share options	630,000	63
	365,290,068	36,529
At 31st December, 2001	365,290,068	36,529
Conversion from Series A preference shares during the year	24,000,000	2,400
	389,290,068	38,929
Preference shares of HK\$0.01 each		
Series A preference shares		
Issue of shares for acquisition of subsidiaries during the year ended 31st December, 2001 and balance at 31st December, 2001	84,000,000	840
Conversion to ordinary shares during the year	(12,000,000)	(120)
	72,000,000	720
At 31st December, 2002	72,000,000	720
Series B preference shares		
Issue of shares for acquisition of subsidiaries during the year ended 31st December, 2001 and balance at 31st December, 2001 and 31st December, 2002	337,500,000	3,375
	409,500,000	4,095

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

27. SHARE CAPITAL *(cont'd)*

- (a) During the year ended 31st December, 2001, the following changes in the ordinary and preference share capital of the Company took place:
- (i) 630,000 ordinary shares of HK\$0.10 each in the Company were issued at HK\$0.23 per share upon the exercise of share options granted under the share option scheme of the Company. The ordinary shares issued rank *pari passu* with the then existing ordinary shares in all respects.
 - (ii) Pursuant to a resolution passed at an extraordinary general meeting of the Company on 13th December, 2001, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$120,000,000 by the creation of 1,000,000,000 Series A preference shares of HK\$0.01 each ("Series A Preference Shares") and 1,000,000,000 Series B preference shares of HK\$0.01 each ("Series B Preference Shares"; together with Series A Preference Shares collectively referred to as "Preference Shares").
 - (iii) On 14th December, 2001, the Company issued 84,000,000 Series A Preference Shares and 337,500,000 Series B Preference Shares at a subscription price of HK\$0.60 per share to Chuang's China to satisfy the consideration payable of HK\$252,900,000 in respect of the acquisition of AsianWisdom and the related shareholder's loan. The Preference Shares are non-voting, redeemable and their holders are entitled to a fixed cumulative preferential dividend payable semi-annually at a rate of 2.5 percent per annum on the issue price of HK\$0.60 of each preference share. In addition, the Preference Shares rank in priority to the ordinary shares in the Company as to dividend and return of capital. Subject to adjustment in accordance with the terms of Series A Preference Shares, each of the Series A Preference Shares is convertible into two ordinary shares in the Company of HK\$0.10 each ("Conversion Shares") at the option of the holders at any time from 14th December, 2001 (the date of issue of Series A Preference Shares) prior to the fifth anniversary from the date of their issue. The Conversion Shares shall, when issued, rank *pari passu* in all respects with the then existing ordinary shares of the Company. Subject to the Companies Law, unless previously converted, the Preference Shares are redeemable by the Company at any time prior to the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash. Further, the Company shall redeem all outstanding Preference Shares which have not been previously redeemed or converted on the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash.

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

27. SHARE CAPITAL (cont'd)

(b) During the year ended 31st December, 2002, the holder of Series A Preference Shares exercised the conversion right of 12,000,000 shares of HK\$0.01 each, which were originally issued at the issue price of HK\$0.60 per preference share, resulting in the issuance of 24,000,000 new ordinary shares in the Company of HK\$0.10 each. The ordinary shares issued rank pari passu in all respects with the then existing issued ordinary shares of the Company.

28. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 22nd May, 1996 (the "1996 Scheme") was for the primary purpose of providing incentives to directors and eligible employees, and would be valid and effective for a period of ten years from the date of its adoption. Under the 1996 Scheme, the directors of the Company might grant options to any executive director or employee of the Group to subscribe for ordinary shares in the Company at a price notified by the directors and should not be less than 80 percent of the average of the closing prices of the Company's ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange ("Daily Quotation Sheets") for the five trading days immediately preceding the date of the offer of the option or the nominal value of the ordinary shares, whichever is the higher. The number of ordinary shares in respect of which options might be granted to any individual at any time was not permitted to exceed 2.5 percent of the issued ordinary share capital of the Company at any point in time and the maximum number of ordinary shares in respect of which options might be granted under the 1996 Scheme should not exceed 10 percent of the issued ordinary share capital of the Company from time to time.

Options granted under the 1996 Scheme should be taken up within 28 days from the date of grant of share options and were exercisable at any time after the date of options were accepted ("Acceptance Date") to the third anniversary of the Acceptance Date, subject to certain restrictions contained in the offer letters. Consideration received by the Company for the options granted was nominal.

At 31st December, 2002, the outstanding number of ordinary shares in respect of which options had been granted under the 1996 Scheme was 1,000,000 (2001: 1,500,000), representing 0.26 (2001: 0.41) percent of the then issued ordinary share capital of the Company.

A summary of the movements during the years ended 31st December, 2001 and 2002 in the share options granted under the 1996 Scheme, which were all granted to employees of the Company and its subsidiaries, is as follows:

Date of grant	Exercise price per ordinary share HK\$	Exercisable period	Number of ordinary shares to be issued upon exercise of the share options					
			Balance at	Lapsed during the	Exercised during the	Balance at	Lapsed during the	
			1.1.2001	year ended 31.12.2001	year ended 31.12.2001	31.12.2001	year ended 31.12.2002	Balance at 31.12.2002
				(Note a)	(Note b)		(Note c)	
27.1.1998	0.230	27.1.1998 to 26.1.2001	630,000	-	630,000	-	-	-
1.3.1999	0.175	1.3.1999 to 28.2.2002	876,000	376,000	-	500,000	500,000	-
3.2.2000	0.320	3.2.2000 to 2.2.2003	1,000,000	-	-	1,000,000	-	1,000,000

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

28. SHARE OPTION SCHEME *(cont'd)*

Notes:

- (a) These options lapsed upon resignation of grantees.
- (b) The weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were exercised was HK\$0.30.
- (c) These options lapsed upon expiration of the exercisable period.

Pursuant to an extraordinary general meeting held on 13th December, 2001, a new share option scheme (the "2001 Scheme") was adopted by the Company in place of the 1996 Scheme. The termination of the 1996 Scheme did not affect the rights of the holders of the share options granted prior thereto and such options granted continue to remain valid and exercisable in accordance with the 1996 Scheme.

The purpose of the 2001 Scheme is to recognise the contribution of the employees, including directors of the Company and its subsidiaries (the "Eligible Persons"), to the growth of the Group and to further motivate the Eligible Persons to continue to contribute to the Group's long term prosperity.

Under the 2001 Scheme which is valid and effective for a term of ten years from the date of its adoption, the directors of the Company may grant options to the Eligible Persons to subscribe for ordinary shares in the Company at a price to be notified by the directors and to be no less than the higher of: (i) the closing price of the Company's ordinary shares as stated in the Daily Quotation Sheets on the day of offer; (ii) the average of the closing prices of the Company's ordinary shares as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at any point in time, without prior approval from the Company's shareholders. The maximum number of ordinary shares in respect of which options may be granted under the 2001 Scheme shall not exceed 10 percent of the issued ordinary share capital of the Company from time to time.

Options granted under the 2001 Scheme must be taken up within 28 days from the date of grant, upon payment of a nominal price. Options may be exercised at any time after the Acceptance Date, but none of them can be exercised later than ten years from the Acceptance Date. No options have been granted under the 2001 Scheme since its adoption.

Details of the share options exercised subsequent to 31st December, 2002 are set out in note 37.

29. RETIREMENT BENEFITS PLANS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for its qualifying employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,000 or 5% of the relevant payroll costs to the Scheme, which contribution is matched by employees.

The total cost charged to the consolidated income statement of HK\$756,000 (2001: HK\$692,000) represents contributions payable to the Scheme by the Group in respect of the current accounting period. As at 31st December, 2002, contributions of approximately HK\$66,000 (2001: HK\$80,000) due in respect of the reporting period had not been paid over to the Scheme.

Defined benefit plan

The Group also operates a defined benefit plan (the "Plan") for its qualifying employees. Under the Plan, the employees are entitled to retirement benefits varying between 30 and 170 per cent of final salary multiplied by the pensionable service on attainment of a retirement age of 60. No other post-retirement benefits are provided.

ORSO Funding Valuation

The most recent formal statutory actuarial valuation of the Plan was carried out at 30th September, 2000 by Mr. Keat Tian, Fellow of the Institute of Actuaries, of Watson Wyatt Hong Kong Limited in accordance with the requirements of Occupational Retirement Schemes Ordinance. The valuation was conducted using attained age method with a discount rate net of long-term salary increase of 1% per annum. The resulted funding level was 65% and the required employer cash funding contribution rate was 9.5% of basic salaries.

SSAP 34 Accounting Valuation

Actuarial valuations have been conducted as of 1st January, 2002 and 31st December, 2002 based on requirements of SSAP 34 by Ms. Elaine Hwang, Fellow of the Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The present value of the defined benefit obligation, the related current service cost and past service costs were measured using the projected unit credit method.

The main actuarial assumptions used were as follows:

	2002 per annum	2001 per annum
Discount rate	5.25%	6.25%
Expected return on plan assets	7.00%	7.00%
Expected rate of salary increases	3.00%	3.00%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

29. RETIREMENT BENEFITS PLANS (cont'd)

The actuarial valuation showed that the market value of plan assets was approximately HK\$4,160,000 (2001: HK\$4,843,000) and that the actuarial value of these assets represented 57% (2001: 77%) of the benefits that had accrued to members. The shortfall of approximately HK\$3,175,000 is to be cleared over the estimated remaining service period of the current membership of 15 years.

As a result of the adoption of SSAP 34 with effect from 1st January, 2002, the Group has determined the transitional liability for its defined benefit plan at 1st January, 2002 as approximately HK\$1,417,000 more than the liability that would have been recognised at the same date using the previous accounting policy. This amount is being recognised on a straight-line basis over five years. A charge of approximately HK\$283,000 (2001: Nil) was recognised in the current year. As at 31st December, 2002, approximately HK\$1,134,000 remained unrecognised.

Total expenses recognised in the consolidated income statement in respect of the Plan are as follows:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Current service cost	1,155	798
Interest cost	386	327
Expected return on plan assets	(374)	(422)
Amortisation of the transitional liability upon first adoption of SSAP 34	283	–
Past service cost	–	657
	<hr/>	<hr/>
Total, included in administrative expenses	1,450	1,360

The actual return on plan assets was approximately HK\$837,000 (2001: a loss of HK\$864,000).

The amount included in the balance sheet arising from the Group's obligation in respect of the Plan is as follows:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Present value of funded obligations	7,335	6,260
Fair value of plan assets	(4,160)	(4,843)
Unrecognised actuarial losses	(1,758)	–
Unrecognised transitional liability on initial adoption of SSAP 34	(1,134)	(1,417)
	<hr/>	<hr/>
Total, included in non-current liabilities	283	–

No equity shares of the Group and property occupied by the Group were included in the fair value of plan assets.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

29. RETIREMENT BENEFITS PLANS *(cont'd)*

Movements in the net liability in the current year were as follows:

	2002	2001
	HK\$'000	HK\$'000
At 1st January	-	-
Amounts charged to income	1,450	1,360
Contributions	(1,167)	(1,360)
	<hr/>	<hr/>
At 31st December	283	-
	<hr/>	<hr/>

30. PURCHASE OF SUBSIDIARIES

	2002	2001
	HK\$'000	HK\$'000
Net assets acquired		
Investment properties	-	143,700
Property, plant and equipment	-	1,544
Properties under development	-	157,200
Deposits, prepayments and other receivables	-	11,527
Bank balances and cash	-	6,003
Accrued charges and other payables	-	(4,660)
Amount due to a related company	-	(6,089)
Amount due to a minority shareholder	-	(37,436)
Taxation payable	-	(123)
Amount due to former shareholder	-	(116,958)
Deferred taxation	-	(15,304)
Minority interests	-	(46,057)
	<hr/>	<hr/>
	-	93,347
Negative goodwill	-	(8,477)
	<hr/>	<hr/>
	-	84,870
Satisfied by:		
Issue of Preference Shares of the Company	-	252,900
Expenses paid in relation to the acquisition	-	1,793
Assignment of amount due to former shareholder	-	(116,958)
Contractual reimbursement from related companies		
- Construction costs of properties under development	-	(41,718)
- Deferred taxation liabilities	-	(11,147)
	<hr/>	<hr/>
	-	84,870
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

30. PURCHASE OF SUBSIDIARIES (cont'd)

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

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash acquired	-	6,003
Expense paid in relation to the acquisition	-	(1,793)
	<hr/>	<hr/>
Inflow of cash and cash equivalents in respect of the purchase of subsidiaries	-	4,210
	<hr/>	<hr/>

31. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended 31st December, 2001, the Group entered into finance leases in respect of new assets acquired with a total capital value at the inception of the leases of approximately HK\$175,000 (2002: Nil).
- (ii) In December 2001, the Group acquired AsianWisdom and the respective shareholder's loan for a consideration of HK\$252,900,000 which was satisfied by ways of allotment and issue of Preference Shares.

32. CAPITAL COMMITMENTS

At 31st December, 2002, the Group had commitments of approximately HK\$43,890,000 for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

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

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

33. OPERATING LEASES

(a) Operating lease commitments

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	5,607	3,612
More than one year but within five years	11,543	2,408
	17,150	6,020

Operating lease payments represent rental payable by the Group for certain of its office and warehouse properties with fixed monthly rentals for an average term of three years.

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

(b) Operating lease arrangements

Property rental income earned during the year was HK\$4,715,000 (2001: HK\$130,000). The properties are expected to generate rental yields of 5% on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

Certain properties under development of the Group at 31st December, 2001 were pre-leased to an independent third party for a term of 10 years upon complete construction of the properties with annual rental of RMB10,000,000 (equivalent to approximately HK\$9,434,000) in the first year and escalating rent thereafter. Total rentals receivable in the second to fifth years inclusive and over five years amounted to approximately HK\$48,000,000 and HK\$75,000,000, respectively. These properties had been completed during the year.

At 31st December, 2002, the Group had contracted with tenants for the following future minimum lease payments in respect of its completed properties:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	14,557	6,572
More than one year but within five years	66,309	3,959
More than five years	84,154	–
	165,020	10,531

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks and other financial institutions on facilities utilised by subsidiaries in respect of				
– credit facilities	–	–	64,684	66,746
– finance leases	–	–	3,328	5,047
	<u>–</u>	<u>–</u>	<u>68,012</u>	<u>71,793</u>

35. PLEDGE OF ASSETS

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Investment properties	71,562	–
Leasehold land and buildings	30,573	17,086
Trade receivables	–	85,708
Plant and machinery	6,387	7,366
	<u>108,522</u>	<u>110,160</u>

36. RELATED PARTY TRANSACTIONS

- (a) On 14th December, 2001, the Company completed the Acquisition Agreement with CCC to acquire the entire issued share capital of, and the shareholder's loan to, AsianWisdom for an aggregate consideration of HK\$252,900,000. On the same date, the Company also completed subscription agreement with Chuang's China pursuant to which the proceeds under the Acquisition Agreement were utilised by Chuang's China to subscribe for the Preference Shares of the Company at an issue price of HK\$0.60 each. Full details of the transactions were contained in the circular issued to the shareholders of the Company dated 20th November, 2001 and disclosed in the announcements of the Company dated 29th October, 2001, 19th November, 2001 and 13th December, 2001. Included in the terms of the Acquisition Agreement, CCC and Chuang's China agreed to indemnify the Group against any loss arising from claim for taxation in relation to the acquisition of subsidiaries as a consequence of events occurring on or before the completion of the Acquisition Agreement.
- (b) Pursuant to the Acquisition Agreement, CCC has also given an undertaking in favour of the Group that in the event the annual rental income of certain of the investment properties acquired by the Group through the above acquisition for each of the two years after the date of completion of the Acquisition Agreement shall be less than HK\$3,880,000, CCC and Chuang's China will indemnify the Group for an amount of the shortfall on a dollar for dollar basis. Such guaranteed income received for the year ended 31st December, 2002 was approximately HK\$3,880,000 (2001: HK\$187,000).

The Group also leased certain of the acquired properties to Yuen Sang Hardware Co. (1988) Limited, a wholly owned subsidiary of Chuang's China, at an aggregate annual rental of approximately HK\$1,067,000 which is based on market rate of similar properties. The lease agreement is for a duration of 2 years expiring on 31st March, 2003 with an option to renew for an additional term of 2 years. Rental income received by the Group under this agreement for the year ended 31st December, 2002 was approximately HK\$1,067,000 (2001: HK\$50,000).

Details of other transactions entered into in association with the Acquisition Agreement are set out in note 15.

- (c) During the year ended 31st December, 2002, the Group also paid building management fee amounting to approximately HK\$841,000 (2001: Nil) to Chuang's Development (China) Limited, a wholly owned subsidiary of Chuang's China. This transaction was carried out in accordance with market rate of similar properties.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 2002

37. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31st December, 2002:

- (a) Pursuant to a resolution in writing of all the directors of the Company passed on 6th January, 2003, a written request was made by the Company to the holder of Series B Preference Shares of the Company to redeem 83,333,333 Series B Preference Shares at a redemption price of HK\$0.60 each with an aggregate value of HK\$50,000,000. The redemption of the shares took place on 27th January, 2003.
- (b) Subsequent to 31st December, 2002, options to subscribe for 1,000,000 ordinary shares in the share capital of the Company at an exercise price of HK\$0.32 per share were exercised.

38. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st December, 2002 are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

38. SUBSIDIARIES *(cont'd)*

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities (note a)
Midas Printing (HK) Limited	Hong Kong	HK\$2 ordinary shares	100%	Trading of printing products
Midas Printing Factory Limited	Hong Kong	HK\$2 ordinary shares	100%	Manufacturing of printing products
Midas Printing International Limited	Hong Kong	HK\$7,000 ordinary shares	100%	Trading of printing products
Midas Printing Limited	Hong Kong	HK\$100 ordinary shares HK\$10,000,000 non-voting deferred shares (note d)	100%	Investment holding
Riverside Trinity Limited	Hong Kong	HK\$2 ordinary shares	100%	Property investment
Sino Stream Limited	Hong Kong	HK\$2 ordinary shares	100%	Property investment
廣東省博羅縣圓洲勤達印務有限公司	PRC (note c)	US\$7,500,000	100%	Book printing and binding

Notes:

- a. All subsidiaries carry out their operations principally in their respective place of incorporation or registration.
- b. The company is registered in the form of an equity joint venture.
- c. The company is registered in the form of a wholly owned foreign investment enterprise.
- d. The deferred shares practically carry no rights to dividends or to receive notice of attend or vote at any general meeting of the company or to participate in any distribution on winding up.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31st December, 2002

38. **SUBSIDIARIES** *(cont'd)*

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

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